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**INDIAN AUDIT AND ACCOUNTS DEPARTMENT**



**STATE REVENUE AUDIT MANUAL**

**(MINING RECEIPTS)**

**5<sup>TH</sup> EDITION - 2018**

**OFFICE OF THE PRINCIPAL ACCOUNTANT GENERAL  
(ECONOMIC AND REVENUE SECTOR AUDIT)  
ODISHA, BHUBANESWAR**

# Receipt Audit Manual (Mining Receipts)

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## **PREFACE**

(To the Fifth Edition)

This manual has been prepared in accordance with the directions contained in Para 54 of the Comptroller and Auditor General's Manual of Standing Orders (Administrative) Volume-I and has been revised taking into account the available orders upto March 2018 for guidance of audit checks.

The instructions in this manual are supplementary to the general Rules and Orders contained in the manuals/circulars issued by the Comptroller and Auditor General of India. In course of audit, references shall be made only to the relevant provisions of the Mines and Mineral (Regulation and Development) Act, 1957, the Mineral Concession Rules, 1960, as amended or any decision of the Court, where necessary and not to the paragraph of this manual.

The manual may be made up-to-date by issue of correction slips as and when necessitated. Errors noticed or suggestions, if any, may be intimated to the Deputy Accountant General (RSA) Odisha.

**Bhubaneswar**

**(YASHODHARA RAY COUDHARY)  
PR. ACCOUNTANT GENERAL (E&RSA)  
ODISHA, BHUBANESWAR**

## CHAPTER – I

### INTRODUCTION

#### **1.1 Constitutional Provision:**

The audit of revenues which is an important branch of audit of receipts is inherent in the powers vested in the Comptroller and Auditor General of India by Article 151 of the Constitution. Article 151 lays down that the reports of the Comptroller and Auditor General of India relating to the accounts of the Union and the State shall be submitted to the President or the Governor of a State, as the case may be, who shall cause them to be laid before each House of Parliament or legislature. Thus, the Audit Reports, must relate to the totality of the accounts of the Union or of a State and this totality would include all receipts including the revenues of the Union and the States.

**1.2** Section 16 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, specifically enjoins upon the Comptroller and Auditor General to audit all receipts of the Union and of the States and to satisfy himself that the Rules and Procedures in that behalf are designed to secure an effective check on the assessment, collection and proper allocation of revenue and are duly observed. For that purpose, the Comptroller and Auditor General of India is authorised to undertake such examination of the accounts as he thinks fit and to report thereon. The audit of receipts of the Union and of the States is thus, a statutory responsibility of the Comptroller and Auditor General of India.

#### **1.3 Basic Principles of Receipt Audit:**

The main principles in conducting revenue audit with reference to the provisions of Section 16 of the Act are:

It shall be the duty of Comptroller and Auditor General of India to audit all receipts which are payable into the Consolidated Fund of India and of each State and of each Union Territory having a Legislative Assembly and to satisfy himself that the rules and procedures in that behalf are designed to secure an effective check on the assessment, collection and proper allocation of revenue and are being duly observed and to make for this purpose such examination of accounts as he thinks fit and report thereon.

It will be seen from the above that the primary task or auditing is unqualified and is left to the discretion of the Comptroller and Auditor General of India.

**1.4** Consistent with this statutory responsibility, the audit of receipts of the Government of Odisha, relating to mineral concession, fees and royalties has been taken up by this office from the year 1973-74.

**1.5** The audit of receipts is governed by the general principles laid down in Chapter-4 of the Section-II of the Manual of Standing Orders (Audit) as amended from time to time. This manual describes the detailed procedure to be followed in the audit of receipts relating to mineral concession, fees, and royalties levied and collected in the State of Odisha, together with a background of the Act and Rules governing assessment and collection of such

receipts.

**1.6** It is the primary responsibility of departmental authorities to see that all revenue or other dues due to Government which have to be brought to account are correctly and properly assessed, realised and credited to Government account. The most important function of audit is to see:

- That adequate regulations and procedure have been framed by the Mining Department to secure an effective check on assessment, collection and proper allocation of taxes, and
- To satisfy itself by adequate test check that such regulations and procedures are actually being carried out.
- It should also be borne in mind that the basic purpose of audit is not only to see that all demands raised are promptly collected and credited to Government but also to ensure that those demands are correctly raised and they satisfy the requirements of law and that the executive does not grant unjustified or unauthorised remissions to tax payers or other persons.

**1.7 Audit of revenues differs from audit of expenditure in that:-**

(i) Attention must be given not only examining the records of amounts actually received but also ascertaining that adequate precautions are taken to ensure that all amounts received or due to be received in the period of the account are properly and promptly brought to account, and

(ii) Since the laws under which the revenue is collected provide for judicial remedy or judicial interpretation, the activity of audit should be limited to those matters which are not subjected to judicial processes.

The Audit does not normally, question the decision of a High Court, which is binding on the officers functioning within the jurisdiction of that High Court till it is in any way modified or overruled by the Supreme Court. It is only in those cases where no authoritative interpretation of a provision of law by High Court or the Supreme Court is available that the Comptroller and Auditor General states what in his judgment is the correct requirement of the law on the basis of the plain meaning of the statute, and puts forward that view to the Department for its examination and acceptance.

**1.8** The Audit should not, in any way, substitute itself for the revenue authorities in the performance of their statutory duties, but Audit should satisfy itself in general that the departmental machinery is sufficiently safeguarded against error and fraud and that so far as can be judged, the procedure is calculated to give effect to the requirements of law.

**1.9** Audit does not consider it the main part of its duties to review the judgment exercised or the decision taken individual cases by officers entrusted with those duties, but it must be recognised that an examination of such cases may be an important factor in judging the effectiveness of assessment procedure, where for example, the information received in any individual case is insufficient to enable audit to see how the requirement of law has been complied with. Audit may consider it its duty to ask for further information to enable it to form the judgment required of it as to the effectiveness of the system. It is, however, towards

forming a general judgment rather than to the detection of individual errors that the audit enquiries should be directed. The detection of individual errors is an incident rather than the objection of audit. Member of the Audit will have access to the relevant records and papers of the Mining Department but they should observe secrecy in the same way as the officers of the Mining Department.

**1.10** In relation to assessment and refunds of Mining Revenue, Audit has to satisfy such test checks as it may consider necessary that the internal procedure adequately provides for and secures:

- (i) Collection and utilisation of data necessary for the computation of the demands or refunds under the law;
- (ii) Prompt raising of demands on licensees/lessees in the manner required by law or agreements;
- (iii) Regular accounting of demands, collection and refunds;
- (iv) Correct accounting of collections and their credit to the consolidated fund;
- (v) That proper safeguards exist to ensure that there is no willful omission to levy or collect dues or to issue refunds;
- (vi) That claims on licenses/lessees are pursued with due diligence and are not abandoned or reduced except with adequate justification and proper authority;
- (vii) That double refunds, fraudulent or forged refund orders or other losses of revenue through fraud, default or mistake are promptly brought to light and investigated, and
- (viii) That interest payable to assesseees or recoverable from them is properly calculated in accordance with law and that no interest is paid on account of delayed refunds without adequate justification.

To discharge these function effectively, the auditor must be thoroughly conversant with the process and procedures relating to the levy and collection of Mining revenue and the laws and rules governing such processes and procedures.

## CHAPTER-II

### **General Information on Mineral Resources in the State and Trends in Mining**

#### **2.1 Mineral Resources in the State:**

Minerals are indispensable for the mankind. The overall development of a State depends mostly on mineral development. Odisha is one of the richest states in the country in respect of mineral resources. Odisha's rich mineral reserves in some basic minerals constitute 33% in Iron ore, 24% coal, 52% Bauxite, 92% Nickle, 44% Manganese and 92% Chromite. The extent of Mineral Resources in respect of other minerals of the State as on 01-4-2016 are given below:

Sl. No.	Mineral/Ore	Resources (in Million Tonnes)
01	Base metal	7.94
02	Bauxite	2047.724
03	China Clay	280.912
04	Coal (Source CMPDI)	75895
05	Cobalt	31
06	Chromites	300.826
07	Dunite	14.333
08	Fireclay	170.076
09.	Graphite	18.944
10.	Iron Ore	7168.163
11.	Limestone	1764.451
12.	Dolomite	822.871
13.	Manganese	211.851
14.	Mineral Sand	266.384
15.	Nickel	174.63
16.	PGM	14
17.	Pyrophyllite	12.259
18.	Quartz/Silica sand	74.058
19.	Quartzite	60.203
20.	Talc-Steatite sand	0.82
21.	Tin ore	0.01555
22.	Vanadium	4.8648
23.	Asbestos	0.0567

*(Source: Activity Report of Steel and Mines Department for the year 2016-17)*

## 2.2 Production and Despatch of Ores/ Minerals:

### MINERALWISE PRODUCTION OF ORES/MINERALS IN THE STATE DURING 2012-17

(Quantity in tonnes)

Sl.No.	Name of Ore/Mineral	2012-13	2013-14	2014-15	2015-16	2016-17
1	Asbestos	0	0	0	0	0
2	Bauxite	5460037	7635196	9191521.74	10839542	11914000
3	Chinaclay	0	0	0	6	18.500
4	Chromite	2884319	2855299	2134990.248	3102940.136	4129711.231
5	Coal	109679365	108175428	121101800	138580000	139208000
6	Dolomite	1017025	687763	460813.33	1035242.827	1249995.120
7	Fireclay	0	0	0	0	0
8	Galena	0	0	0	0	0
9	Graphite	6786	10448	5134.7	17643.3	20156.500
10	Ironore	66545022	77842049	53133754.48	80866243.319	102663381.562
11	Kyanite	0	0	0	0	0
12	Leadore	0	0	0	0	0
13	Limestone	3897790	3716005	3413260	4524561.6	4762094.724
14	Mn. Ore	530684	663708	357299.466	425271.96	627613.929
15	Min. Sand	236238	179272	0	0	239000
16	Pyrophyllite	7106	4116	4389	4490	0
17	Pyroxenite	0	0	0	0	11096.800
18	Quartz	10	1884	279	0	1278.900
19	Quartzite	30111	45405	29817.43	50084.31	48360.500
20	Sand(Stow)	0	0	0	0	0
21	Serpentinite	0	0	804	0	0
22	Silica Sand	89	779	0	421.1	0
23	Soapstone	0	0	0	0	0
24	Magnetite	0	0	0	0	0
25	Feldspar	0	0	0	0	0
26	Red Ochre	0	0	0	0	0
27	Sandstone	0	0	0	0	0
	<b>Total</b>	<b>190294582</b>	<b>201817352</b>	<b>189833863.394</b>	<b>238088446.552</b>	<b>264874707.766</b>

(Report downloaded from Website)

(The list of specified minerals are given in Annexure – II)

### 2.3 Chemical analysis of Ores/Minerals:

During 2016-17 (upto January 2017) chemical analysis of 19,183 ores/minerals samples consisting of 30,830 constituents were undertaken by the analytical laboratories of the Directorate of Mines. An amount of ₹ 102.43 lakh has been collected towards analysis charges of commercial samples. A summary of performance of Chemical Analysis Wing of the Directorate on analysis of samples of ores/ minerals during last five years is furnished below:

Year	No. of samples analysed	No. of constituents determined	Amount of analysis charges collection (₹ in lakh)
2011-12	31,215	41,021	63.47
2012-13	25,913	39,089	47.16
2013-14	21,820	35,783	62.88
2014-15	16,122	34,209	81.93
2015-16	16,771	29,697	104.35

(Source: Activity Report of Steel and Mines Department for the year 2016-17)

(The rates of chemical analysis of ores/minerals are given in Annexure – I)

### 2.4 Mining revenue:

The trend in the collection of mining revenue during the last five years from 2011-12 to 2015-16 is given in the table below:

Year	Revised Estimate	Actual Receipt
2011-12	4000.00	4586.65
2012-13	5700.00	5679.35
2013-14	6600.00	5518.77
2014-15	6346.98	5310.09
2015-16	6626.00	5798.96

(Source: Activity Report of Steel and Mines Department for the year 2016-17)

### 2.5 Budget provision and Expenditure for the Financial Year 2016-17

#### (a) State Plan

(₹ in lakh)

Name of the scheme	Budget provision	Expenditure
Promotion and Monitoring of Steel Industries	45.72	26.76
Research	49.99	14.88
I3MS	1770.00	1037.89
Mineral Exploration and Auction	1730.00	125.37
Construction of Building	100.00	51.80
Total	3695.71	1256.70

**(b) Non-plan**

<b>Name of the scheme</b>	<b>Budget provision</b>	<b>Expenditure (upto 31.01.2017)</b>
Director of mines	1521.26	1212.29
Field Administration	636.65	513.41
Central Enforcement Flying squad	331.88	270.93
Research	151.44	110.18
Mineral Survey and Exploration	385.95	294.92
Expansion of Drilling Section	275.47	205.52
Intensive Mineral exploration and Assessment of Mineral	983.19	779.25
Secretariat Economic Services-Steel and Mines Department	554.68	438.12
<b>Total</b>	<b>4840.52</b>	<b>3824.62</b>

*(Source: Activity Report of Steel and Mines Department for the year 2016-17)*

## CHAPTER-III

### **Particulars of Organisation, Functions & Duties**

**3.1** The main functions and activities of the Department of Steel and Mines are systematic survey and assessment of the mineral deposits of the State, their exploitation, administration of mining Act, grant of mineral concessions, auction of mining blocks, enforcement measures for prevention of illegal mining and smuggling of minerals, assessment and collection of mining revenue. Their function also includes study of the impact of mining operations on environment and research and development for meeting the needs of mineral based industries in the State. To discharge the above functions, there is a well-defined distribution of the powers between the Central Government and State Government, as discussed under:

#### **3.2 The Central Government:**

The Government of India, Ministry of Mines though not specifically involved in the revenue administration in the country in various ways under the Mines and Minerals (Development & Regulation) Act, 1957, the Mineral Concession Rules, 1960 and Mineral Conservation and Development Rules, 1988 as amended from time to time, it performs the following regulatory powers and functions over all mineral concessions:-

#### **(A) Under Mines and Minerals (Development and Regulation) Act:**

It is the duty of the Central Government to -

- (i) declare a mineral as “minor mineral”- Section 3(e);
- (ii) accord sanction if the state Government wants to undertake prospecting and mining operations with respect to schedule minerals - Section 4 (3);
- (iii) approve the grant of prospecting licence/mining lease in respect of a first schedule mineral - Section 5(1);
- (iv) approve the mining plan for development of mineral deposits in the area - Section 5(2) (b);
- (v) permit a person to acquire one or more prospecting licences/ mining leases covering an area in excess of the prescribed maximum, in the interest of mineral development - Section 6(1);
- (vi) approve the renewal of the prospecting licence in respect of first schedule<sup>1</sup> mineral - Section 7(2);
- (vii) approve the renewal of a mining lease in respect of a first schedule mineral for a single period not exceeding the prescribed maximum-Section 8(2);
- (viii) to authorize the renewal of mining lease for a further period in the interest of mineral development Section 8(3);

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<sup>1</sup> First schedule: Specified minerals, Second schedule: Rates of royalty and Third schedule: Rates of dead rent.

- (ix) amend the second schedule so as to enhance (not more than once in 3 years) or reduce the rate of royalty- Section 9 (3);
- (x) approve grant of prospecting licence/mining lease to an applicant whose application was received later in preference to an applicant whose application received earlier- Section 11(4);
- (xi) make Rules for regulating the grant of mineral prospecting licence/mining lease- Section 13(1);
- (xii) make Rules for bringing pre 25.10.1949 lease in conformity with the provisions of the Act- Section-16(2);
- (xiii) undertake prospecting or mining operations in any area not already held under a licence/lease after consultation with the state Government and to declare that no licence/lease shall be granted in respect of any land in the area. - Section 17(2);
- (xiv) reserve any area with mutual consultation (Central Government or State Government) for the purpose of conservation of minerals- Section 17-A;
- (xv) make such Rules as it thinks fit and take all such steps as may be necessary for the conservation and development of minerals and for protection of environment in India-Section 18(1);
- (xvi) authorise a person to make a complaint in writing to a court in respect of an offence punishable under the Act- Section 22..
- (xvii) authorize any person to ascertain the position of the working, actual or prospective of any mine or abandoned mine- Section 24(1);
- (xviii) delegate any its powers to a subordinate authority of the central or the state Government- Section 26(1);
- (xix) revise any order made by a state Government or other competent authority of its own motion on application made within the prescribed time by an aggrieved party- Section (30);
- (xx) direct that the relevant provisions of the Act shall apply to coal mining leases granted before 25.10.1949- Section 30(A); and
- (xxi) authorize in the interest of mineral development grant, renewal or transfer of a licence/lease or the working of any mine, on terms and conditions different from those laid down in Mineral Concession Rules- Section 31.

**(B) Under Mineral Concession Rules:**

It is the duty of the Central Government to:-

- (i) approve the additional conditions (not covered by the Rules) proposed to be included in the licence/lease by the state Government in the interests of mineral development. – Rule 14(3) and Rule 27(3);
- (ii) approve the mining plan and to accord recognition to a person having requisite qualification and experience for preparing the mining plan- Rule-22-A and 22-C;
- (iii) accord prior approval for grant of the first, second and subsequent renewals of mining

leases for the schedule minerals- Rule 24A;

- (C) Under Mineral Conservation and Development Rules:
- (i) approve the transfer of a licence/lease or any right title or interests in such licence/lease in respect of a first schedule mineral- Rule 46(2); and
  - (ii) approve the prohibition of prospecting/mining operation in a licenced/leased area under certain condition-Rule 50.

**(C) Under Minerals Conservation and Development Rules the following major powers exercised are:**

- (a) **Reconnaissance operations:** Modification of scheme of reconnaissance, recommendation of operations to be carried out in accordance with scheme of reconnaissance,
- (b) **Prospecting operations:** It is to be seen that prospecting operation is to be carried out in accordance scheme of prospecting, modification of scheme of reconnaissance.
- (c) **Mining Operations:** Rules governing mining plan, review of mining plan.

In addition to the above, the Mines and Minerals (Development and Regulation) Amendment Act, 2015 (MMDR Amendment Act) vests with the Central Government, the following powers to achieve some need based objectives for which the Act was amended:

- (a) As far as non-notified minerals are concerned, the Amendment Bill seeks to grant a combined PL-cum-ML for these minerals through a competitive bidding process. The scheme envisages that the successful bidder will conduct the exploration and prospecting work at his own risk and cost. In case there is any find, he will have to abide by the bid conditions which could be in the form of a production share, or a payment linked to the royalty payable etc.
- (b) The Central Government will be empowered to prescribe the Terms and Conditions for conduct of auctions both in respect of notified minerals as well as non-notified minerals. The Central Government will also be empowered to prescribe different Terms and Conditions for auctions of different types of minerals and their application to different States.
- (c) In order to earmark funds for benefit of persons affected by mining as also for the rebuilding of infrastructure in mining affected areas, a District Mineral Foundation (DMF) is set up in every district affected by mining. This will be funded by an additional levy related to royalty, the rate of which will be prescribed by the Central Government.
- (d) The Central Government is specifically empowered to frame rules to prescribe the timelines for the various stages in processing applications for grant of mineral concessions, and their renewals. The Central Government is also specifically vested with powers to issue directions to State Governments for the conservation of mineral

resources, on any policy matter in the national interest, and for the scientific and sustainable development and exploitation of mineral resources.

- (e) The Central Government has been vested with revision powers. In case anybody is aggrieved by an order made by a State Government or any authority under the Act, he may file a revision petition with Central Government. Past experience has shown that, in several cases, authorities entrusted with the powers under the Act do not pass orders within the timelines prescribed for this purpose. The Act also empowers the Central Government to pass revision orders even in cases where authorities entrusted with the powers under the Act fail to pass orders within the time limits prescribed thereunder.

### **3.3 Audit Checks:**

(i) The powers exercised by the Central Government may generally be examined to see whether they are in consonance with the provisions of the Act and Rules.

(ii) A notification prematurely issued amending the dead rent or royalty schedules would be void and does not make effect even after the expiry of the period of four years after the earlier change.

### **3.4 Powers and functions of the State Government:**

The functions enjoined by the Act and Rules on the State Government are performed by the Steel and Mines Department of Government of Odisha, as follows –

- a) Control and directions of the department;
- b) Policy matters relating to exploration and exploitation of mineral wealth of the State;
- c) Grant or renewal of certificates of approval, prospecting licences and mining leases;
- d) Revocation, determination, acceptance of surrenders of licences and leases;
- e) Issue of notification throwing open surrendered areas for re-grant; and
- f) Approval of all transfers of licences and leases.

This apart, as per MMDR Amendment Act 2015, in order to act as a strong deterrent to illegal mining, the Act seeks to make the offence of illegal mining in respect of notified minerals a cognizable offence. There is also provision to enable State Governments to set up special courts for trial of offences under the Act, if felt necessary.

A full-fledged independent internal audit organisation for audit of state receipts relating to Mines and Minerals of the Steel and Mines Department is functioning under the direct charge of the Director of Mines, Odisha. The internal audit parties are entrusted generally with the work of check of assessment cases, refund cases, write off cases and cases of under assessment and over assessment.

### **3.5 Audit Checks:**

(i) To check whether Audit in the State Secretariat would mainly base on examination of the grant/renewal orders. The other main scrutiny consists of examination of files leading to Government decisions and would mainly involve an intelligent appraisal of

the propriety of such decisions, results of delays in communicating them and related issues including delays in issuing notification throwing open surrendered areas for re-grant.

(ii) The reasons for pendency and for rejection of applications, particularly in regard to delay in respect of applications relating to public enterprises should also be examined.

(iii) Preference given to private sector firms should be examined, with reference to the mineral policy of the Central and State Governments.

### **3.6 Director of Mines, Steel and Director of Geology:**

The Steel and Mines Department is the administrative department and is headed by a Principal Secretary. Three Directorates, i.e., Directorate of Steel, Directorate of Mines and Directorate of Geology and one public sector undertaking i.e. Odisha Mining Corporation Limited (OMC Ltd.) operate under the Department.

The Directorate of Mines, headed by the Director of Mines, Odisha (DMO) is assisted by the Joint Director of Mines at the Headquarters level and Deputy Director of Mines (DDMs) and Mining Officers (MOs) at the field level. The i3MS project is managed by the IT Project Management Unit (PMU) headed by a DDM at the Directorate of Mines.

The Directorate of Geology headed by the Director of Geology has its head office at Bhubaneswar and six zonal offices at Sambalpur, Dhenkanal, Berhampur, Balangir, Koraput and Keonjhar. The Director of Geology, Joint Director of Geology (Level I & II), Deputy Director (DD) of Geology, Petrologist, Asst. ODE, DD-cum-OSD, Sr. EO, EO & AO hold their office at Headquarters at Bhubaneswar. There are other supporting technical and non-technical staff working under them. The special project scale investigations are taken up from the head office. These include coal, iron ore, diamond, coastal geomorphology and geophysical investigation etc. Each Zonal office is headed by a Joint Director of Geology. He is supported by Deputy Director of Geology, Geologists, other technical staff and ministerial staff.

### **3.7 Brief History and the Activities of the Directorates:**

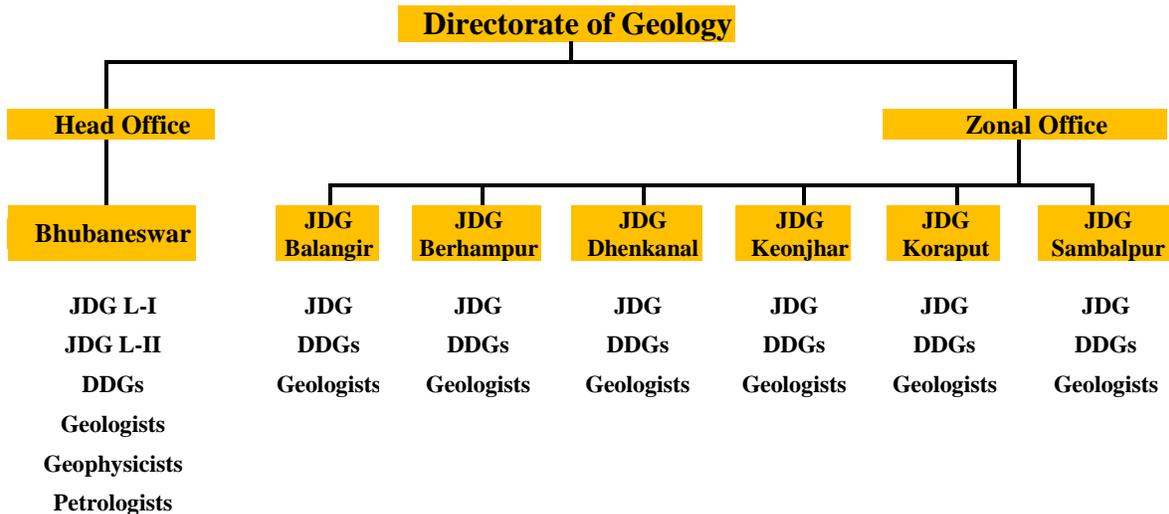
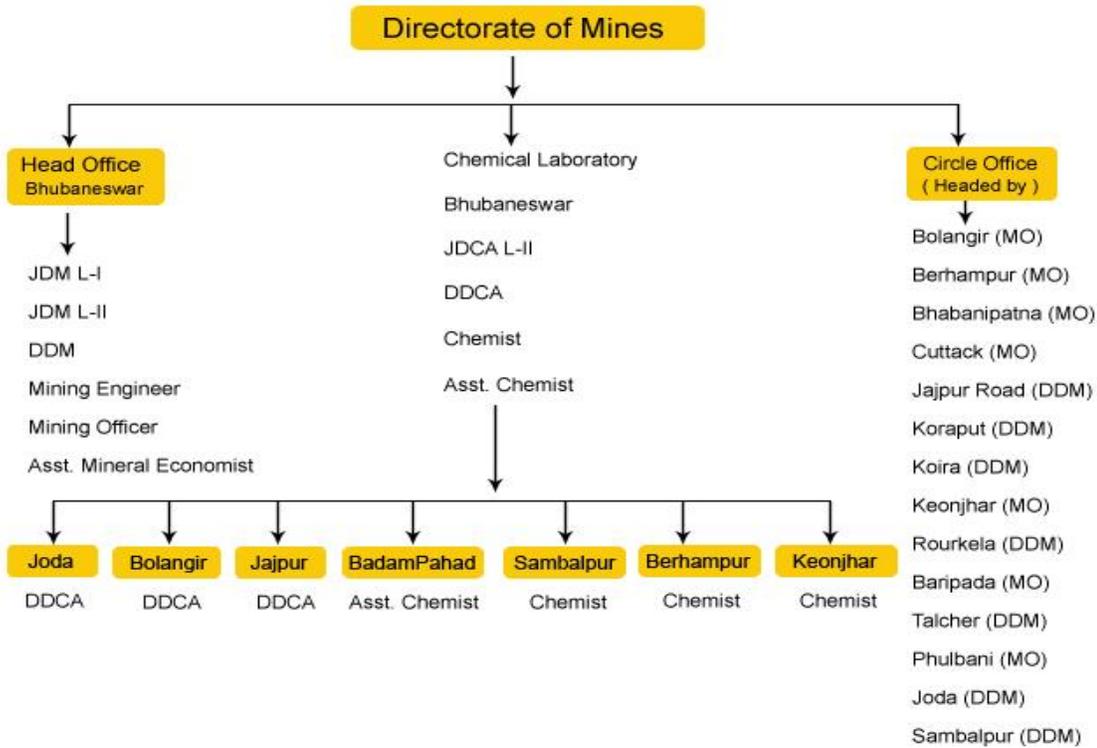
#### **3.7.1 Brief history and background of the Directorates:**

Directorate of Mines was created with effect from 1 August 1955 under the administrative control of Department of Industries for systematic and scientific exploitation of mineral resources and administration of mines and minerals in the State. For better administrative control and supervision, a separate Department was created during the year 1956 and the Directorate of Mines was placed under it. Subsequently, the State Directorate of Mines was renamed as Directorate of Mining and Geology since 1983. In view of the liberalised mineral policy adopted by the Government of India and attention of the State Government for the development of its large iron ore and bauxite resources and inviting private investors from the country and abroad as well as effective administration of mines and minerals with increased mining activities, the Director of Mining and Geology was reorganised into two separate Directorates i.e. Directorate of Mines and Directorate of Geology with effect from 20 February 1997 as per the order No. 1438 dated 20 February 1997 of Government of Odisha, Steel and Mines Department. The Chemical Analysis wing functioning under the Directorate of Geology was brought under the control of Directorate of

mines with effect from 12 October 2004 for facilitating analysis of ores and minerals linked with mineral administration. The Directorate of Mines presently consists of two wings namely, the Mineral Administration Wing and the Chemical Analysis Wing.

**3.7.2 Organisation Chart of Directorates:**

Under the Directorate, there are 14 mining circles headed by Deputy Directors/ Mining Officers to successfully implement the functions of the Directorate. The organization set up of Directorate of Mining and Directorate of Geology are given below:



### **3.7.3 (i) The objectives/purpose of the Directorate of Mines:**

- Mineral development and Administration for both major and minor minerals.
- Processing of mineral concession applications for the grant in respect of major minerals and mining lease for decorative stones in respect of minor minerals under provisions of M&M (D&R) Act. 1957 and M.C. Rules 1960 and OMMC Rules 2004.
- Collections of mining revenue from major and minor minerals in the state.
- Grant of prospecting license for decorative stones under OMMC Rules.2004.
- Prevention of illegal mining and unauthorized trading of minerals under Odisha Minerals (Prevention of Theft, Smuggling and Illegal Mining and Regulation of Possession, Storage, Trading and Transportation) Rules 2007.
- Analysis of ore/mineral samples for the purpose of determining their quality for assessment of revenue.
- Regulation and control of mineral traffic in the state.

### **(ii) Mission and vision statement of the Directorate of Mines:-**

- Optimum exploitation of mineral resources available in the state with due regard to conservation of mineral and its surrounding environment.
- Promotion of mineral based industries in the state by facilitating grant of Mineral concessions.
- Augmentation of generation of mining revenue.
- Adoption of state of art-techniques and equipments for chemical analysis of ore/minerals.
- Induction of a computerized data base management technique, establishing an effective mineral information system and E-Governance.
- Stop Illegal mining and smuggling of minerals and to plug the linkage of revenue through i3MS.

### **3.8 Mineral Administration Wing and Chemical Analysis Wing:**

To achieve the objectives of the Directorate, 14 Circle Mining Offices headed by Deputy Director of Mines/ Mining Officers under the Mineral Administration Wing and three Zonal Chemical Analysis laboratories headed by Deputy Director (Chemical Analysis) under the Chemical Analysis Wing have been functioning in different parts of the State. Besides, a Government Research Laboratory headed by Joint Director (Chemical Analysis) is functioning at Bhubaneswar.

### **3.9 Duties and Activities of Director of Mines:**

### **3.9.1 Duties of the Director of Mines:**

- Disposal of applications for mineral concessions;
- Recommendation for grant of mineral concessions to the captive users on priority;
- Co-ordination with Department of Forest and Environment. Revenue and Industries;
- Initiation of proposals for ores and minerals, analysis, weighment and other charges;
- Prevention of leakage of mineral revenue by strengthening the enforcement measures;
- To maintain vigil on qualitative and quantitative assessment of ores and minerals produced and dispatches from the mining lease;
- Modernisation of Government laboratories; and
- Creation of an effective database and efficient data interaction mechanism by adopting a system of computer network connecting field offices to the Head Quarter.
- i3MS updation of data from field units.

### **3.9.2 Main activities/functions of the Director of Mines:**

- Director of Mines functions as Technical Advisor to Government in the matters of mineral administration.
- Approval of mining plan of specified major minerals and decorative stones (minor minerals).
- Approval of plan, boundary description and land schedule of the granted / mineral concession areas prepared after field survey and demarcation.
- Execution of the Reconnaissance Deeds.
- Supervision of enforcement measures.
- Compilation of all mines and mineral statistics of the entire state.
- Departmental auditing of receipt and expenditure account of the subordinate offices and head quarters.
- Compliance to the Inspection Reports of Accountant General (Odisha).
- Preparation of budget for the Directorate and Subordinate Offices.
- Inspection and monitoring of the activities of Subordinate offices.
- Implementation of provisions of the Mining Laws and other related Statutes.
- To control illegal transportation by tracking of mineral moments through i3MS.

### **3.10 Audit Checks in Director of Mines:**

Audit in the office of the Director of Mines mainly focus on examination of files on various recommendations made by the Director to Government on issues relating to grant, renewal, determination, surrender, departmental operation, recovery of cost of ores, waivers, write off proposals of revenue demands, revision of assessments or other financial decisions and general directions issued affecting revenue.

### **3.11 Duties and activities of Directorate of Geology/ Joint Director of Geology:**

- (i) Systematic and scientific exploration on assessment of mineral resources of the state utilising modern technique.
- (iii) Development of system for beneficiation of low grade minerals and ores to make them usable.
- (iv) Mineral research and promotion of mineral based industries.
- (v) Geological survey of engineering projects.
- (vi) Ground water investigation.

### **3.12 Audit Checks:**

- (i) To examine the gist of explanation work and monthly progress report of each explanation work.
- (ii) To examine the monthly drilling progress report and the rates applicable for drilling basing on the Price Index of the State.
- (iii) To check Tour Diary and Tour Programme keeping in view frequent leave availed by the field staff.
- (iv) To check labour payments following financial procedure on proper identification.
- (v) To examine whether the project has been properly executed, completed and subsequent submission of Geological Report in time. In case of delay and deviation the reasons thereof is to be stated to audit.
- (vi) To examine the mineral reserves as per the state Government report and other Agency report like CIL, OMC, Geological Survey of India.

### **3.13 Deputy Director Mines/Mining Officers:**

With effect from 20 March 1990 vide notification No. 8551/DMG dt. 20.3.1990 of Director of Mining and Geology, Odisha, the Senior Mining Officer were re-designated as the Deputy Director Mines. The Deputy Director, Mines and the Mining Officer are the main functionaries of the Department responsible for the assessment and collection of mining revenue. Their functions are to:-

- a) receive, register and process all applications for mineral concession, through the Collector of the District;
- b) survey and report on the technical feasibility of the grant of a mineral concession;
- c) receive and process all grant orders and watch the execution of all licence/lease deeds, and register and record them;

- d) receive all fees, compensations, securities in relation to such execution of deeds;
- e) survey, demarcate and ensure the proper maintenance of boundary pillars;
- f) assess, demand, collect and account for all rents, royalties and other dues on all licences and leases and to initiate certificate cases in respect of arrear revenue;
- g) ensure the observance of all the conditions of the licence/lease deeds and to initiate penal action for breach;
- h) arrange for proper measurement and grading of ores removed, check of weighing scales, fixation of conversion ratio, cross check of removal, issue of ore removal permits, and control of check gates and weigh bridges;
- i) conduct periodical verification of lessee's records;
- j) detect, arrange for the seizure, confiscation and disposal of all unauthorized removal of ore;
- k) take stock and dispose of all property and ores left over on expiry or termination of a licence, lease, which has become the property of Government; and
- l) maintain all the prescribed registers and submit the prescribed returns and reports to the Director of Mining and Geology.

### **3.14 Duties and responsibilities of Senior Inspector of Mines:**

The Senior Inspector of Mines is in immediate supervisory charge of the Mines entrusted to him. His functions are to:-

- (a) take up the mapping and demarcation of the area applied for by a lessee with the help of the surveyor;
- (b) report about the working and non-working of the mines by regularly inspection the mines under his charge;
- (c) check all the stocked ores applied for removal and to take joint samples of all marginal grades of ores. Joint samples of the ores which appear to be different in grade are also to be taken by the Senior Inspectors of Mines as enjoined in the Transit pass regulations, 1973; and
- (d) check the stocks of ores lying at the pit-head and to correlate the ground balance and book balance.

Further, in terms of Government of India, Department of Mines letter No.-MII/59/58, dated the 4 December 1959, the following duties have also been entrusted to him under Section 24 of the Act.

- i. Collection of royalty and rent.
- ii. Prevention of illegal extraction of minerals.
- iii. Enforcement of the State Government orders to suspend or close mining operations.
- iv. Stopping and checking illegal movement of minerals.
- v. In cases where renewal of prospecting licence is applied for, ascertaining the necessity thereof.
- vi. Cognizance of offence entrusted to him.

## CHAPTER-IV

### **Major changes in Mines and Minerals (Development and Regulation) (Amendment) Act, 2015**

The Mines and Minerals (Development and Regulation) Bill (MMDR), 2011 was lapsed in 2014. The Mines and Minerals (Development and Regulation) Amendment Act further amended and the new MMDR Amendment Act 2015 introduced by Ministry of Mines came into force **w.e.f. 12-01-2015 which prescribes for grant of mining lease in respect of notified minerals through auction.** Section 8A(5) and 8A(6) of the said Act prescribes provision of deemed extension of period of the lease granted before the date of commencement of MMDR Amendment, 2015 up to a period ending on 31<sup>st</sup> March 2020 in case where the mineral used for other than captive purpose, or the date of expiry of renewal last made or till the completion of the renewal period, if any, or a period of 50 years from the date of grant of such lease, whichever is later, subject to the condition that all the terms and conditions of the lease have been complied with. The lease period for captive mines extended till March 2030, or for a period of 50 years from the date when the lease was granted. All leases will be re-auctioned after 50 years. However, the major reforms introduced under the 2015 Amendment with regard to governance, *inter alia*, includes -

- Introduction of auction mechanism for granting mineral concession for all minerals - mining leases and prospecting-cum-mining leases.
- Granting mining leases for 50 year period, as opposed to 30 year plus 20 year renewal provision that existed.
- Developing stronger provisions to check illegal mining by creating Special Courts to deal with mining offences and increases of finer.
- Creation of District Mineral Foundation for benefit of mining affected communities
- Reduction of discretion and increase of transparency in the allocation of mineral resources
- Putting in place regulatory and facilitative institutions for transparent and accountable functioning of the mining sector, including check on illegal mining
- Auctioning in a much more transparent process than “first-in-time”
- Simplifying procedures and removing delays in decision-making; provide impetus to the mining sector and encourage exploration and investment in mining sector

#### **4.1 Objectives of New Provisions:**

- a) India’s mineral endowment is characterised by the presence of bulk, surficial minerals, as well as deep-seated and difficult-to-access minerals. The regulatory regime necessary to promote the optimum and efficient exploitation of these two categories of minerals requires different mechanisms given the characteristics of the deposits, the technology required to develop them, and the present state of knowledge in this area. The amendment seeks to differentiate between these two categories and prescribe different procedures for the same. Bulk, surficial minerals are notified as a

separate category in the Act and subjected to different procedures for grant of concessions as compared to other non-notified minerals.

- b) The existing state of knowledge is also substantially different as between the two categories of minerals. In case of bulk/surficial minerals, the state of knowledge is either of a prospecting report level, or closes thereto. In the case of deep-seated, difficult-to-access, minerals, a very substantial amount of reconnaissance and prospecting work is necessary before mineral exploitation would be technically feasible and economically viable. The Amended Act takes note of this difference in designing procedures for grant of concessions.
- c) In order to improve transparency both in allocation as well as to ensure a fair share of the value of minerals for the government, the Act prescribes competitive bidding by auction and the method to be followed for allocation of Mining Leases (MLs) in respect of notified minerals. Given the state of current knowledge related to these minerals, there need not any Reconnaissance Permits (RPs) or Prospecting Licences (PLs) be issued for such minerals. In case there are any gaps in the required knowledge, they will have to be filled up by the State agencies themselves. This procedure is in line with recommendations of the High-level Committee on National Mineral Policy (Hoda Committee). **Bulk minerals such as Iron ore, Limestone, Manganese, Bauxite etc.**, which are proposed to be notified, will account for 85 per cent or more of the value of mineral production in India.
- d) As far as non-notified minerals are concerned, the Amendment Bill seeks to grant a combined PL-cum-ML for these minerals through a competitive bidding process. The scheme envisages that the successful bidder will conduct the exploration and prospecting work at his own risk and cost. In case there is any find, he will have to abide by the bid conditions which could be in the form of a production share, or a payment linked to the royalty payable etc.
- e) In order to earmark funds for benefit of persons affected by mining as also for the rebuilding of infrastructure in mining affected areas, a District Mineral Foundation (DMF) is set up in every district affected by mining. This will be funded by an additional levy related to royalty, the rate of which will be prescribed by the Central Government.
- f) The Central Government is specifically empowered to frame rules to prescribe the timelines for the various stages in processing applications for grant of mineral concessions, and their renewals. The Central Government is also specifically vested with powers to issue directions to State Governments for the conservation of mineral resources, on any policy matter in the national interest, and for the scientific and sustainable development and exploitation of mineral resources.

## **4.2 Amended Sections of MMDR Amendment Act, 2015**

**4.2.1 Section 8A of MMDR Amendment Act 2015:** (1) The provisions of this section shall apply to minerals other than those specified in Part A and Part B of the First Schedule

(2) On and from the date of the commencement of the Mines and Minerals (Development and Regulation) Amendment Act, 2015, all mining leases shall be granted for the period of fifty years.

(3) All mining leases granted before the commencement of the Mines and Minerals (Development and Regulation) Amendment Act, 2015 shall be deemed to have been granted for a period of fifty years.

(4) On the expiry of the lease period, the lease shall be put up for auction as per the procedure specified in this Act.

(5) Notwithstanding anything contained in sub-sections (2), (3) and sub-section (4) The period of lease granted before the date of commencement of the Mines and Minerals (Development and Regulation) Amendment Act, 2015, where mineral is used for captive purpose, shall be extended and be deemed to have been extended up to a period ending on the 31st March, 2030 with effect from the date of expiry of the period of renewal last made or till the completion of renewal period, if any, or a period of fifty years from the date of grant of such lease, whichever is later, subject to the condition that all the terms and conditions of the lease have been complied with.

(6) Notwithstanding anything contained in sub-sections (2), (3) and sub-section (4), the period of lease granted before the date of commencement of the Mines and Minerals (Development and Regulation) Amendment Act, 2015, where mineral is used for other than captive purpose, shall be extended and be deemed to have been extended up to a period ending on the 31st March, 2020 with effect from the date of expiry of the period of renewal last made or till the completion of renewal period, if any, or a period of fifty years from the date of grant of such lease, whichever is later, subject to the condition that all the terms and conditions of the lease have been complied with.

(7) Any holder of a lease granted, where mineral is used for captive purpose, shall have the right of first refusal at the time of auction held for such lease after the expiry of the lease period.

(8) Notwithstanding anything contained in this section, the period of mining leases, including existing mining leases, of Government companies or corporations shall be such as may be prescribed by the Central Government.

(9) The provisions of this section, notwithstanding anything contained therein, shall not apply to a mining lease granted before the date of commencement of the Mines and Minerals (Development and Regulation) Amendment Act, 2015, for which renewal has been rejected, or which has been determined, or lapsed.

**4.2.2 Section 10A:** (1) All applications received prior to the date of commencement of the Mines and Minerals (Development and Regulation) Amendment Act, 2015, shall become ineligible.

(2) Without prejudice to sub-section (1), the following shall remain eligible on and from the date of commencement of the Mines and Minerals (Development and Regulation) Amendment Act, 2015:—

(a) applications received under section 11A of this Act;

(b) where before the commencement of the Mines and Minerals (Development and

Regulation) Amendment Act, 2015 a reconnaissance permit or prospecting licence has been granted in respect of any land for any mineral, the permit holder or the licensee shall have a right for obtaining a prospecting licence followed by a mining lease, or a mining lease, as the case may be, in respect of that mineral in that land, if the State Government is satisfied that the permit holder or the licensee, as the case may be,—

(i) has undertaken reconnaissance operations or prospecting operations, as the case may be, to establish the existence of mineral contents in such land in accordance with such parameters as may be prescribed by the Central Government;

(ii) has not committed any breach of the terms and conditions of the reconnaissance permit or the prospecting licence;

(iii) has not become ineligible under the provisions of this Act; and

(iv) has not failed to apply for grant of prospecting licence or mining lease, as the case may be, within a period of three months after the expiry of reconnaissance permit or prospecting licence, as the case may be, or within such further period not exceeding six months as may be extended by the State Government;

(c) where the Central Government has communicated previous approval as required under sub-section (1) of section 5 for grant of a mining lease, or if a letter of intent (by whatever name called) has been issued by the State Government to grant a mining lease, before the commencement of the Mines and Minerals (Development and Regulation) Amendment Act, 2015, the mining lease shall be granted subject to fulfillment of the conditions of the previous approval or of the letter of intent within a period of two years from the date of commencement of the said Act:

Provided that in respect of any mineral specified in the First Schedule, no prospecting licence or mining lease shall be granted under clause (b) of this sub-section except with the previous approval of the Central Government.

**4.2.3 10B of MMDR Amendment.** (1) The provisions of this section shall not be applicable to cases covered by section 10A or section 17A or to minerals specified in Part A or Part B (**Annexure-II**) of the First Schedule or to land in respect of which the minerals do not vest in the Government.

(2) Where there is inadequate evidence to show the existence of mineral contents of any notified mineral in respect of any area, a State Government may, after obtaining the previous approval of the Central Government, grant a prospecting licence-cum-mining lease for the said notified mineral in such area in accordance with the procedure laid down in section 11.

(3) In areas where the existence of mineral contents of any notified mineral is established in the manner prescribed by the Central Government, the State Government shall notify such areas for grant of mining leases for such notified mineral, the terms and conditions subject to which such mining leases shall be granted, and any other relevant conditions, in such manner as may be prescribed by the Central Government.

(4) For the purpose of granting a mining lease in respect of any notified mineral in such notified area, the State Government shall select, through auction by a method of competitive bidding, including e-auction, an applicant who fulfils the eligibility conditions as specified in this Act.

(5) The Central Government shall prescribe the terms and conditions, and procedure, subject to which the auction shall be conducted, including the bidding parameters for the selection, which may include a share in the production of the mineral, or any payment linked to the royalty payable, or any other relevant parameter, or any combination or modification of them.

(6) Without prejudice to the generality of sub-section (5), the Central Government shall, if it is of the opinion that it is necessary and expedient to do so, prescribe terms and conditions, procedure and bidding parameters in respect of categories of minerals, size and area of mineral deposits and a State or States, subject to which the auction shall be conducted:

Provided that the terms and conditions may include the reservation of any particular mine or mines for a particular end-use and subject to such condition which allow only such eligible end users to participate in the auction.

(7) The State Government shall grant a mining lease to an applicant selected in accordance with the procedure laid down in this section in respect of such notified mineral in any notified area.

**4.2.4 10C of MMDR Amendment 2015** (1) Non-exclusive reconnaissance permits may be granted in respect of any notified mineral or non-notified mineral or a group of specified minerals, other than minerals specified in Part A or Part B of the First Schedule, subject to such terms and conditions as may be prescribed by the Central Government.

(2) The holder of such non-exclusive reconnaissance permit shall not be entitled to make any claim for the grant of any prospecting licence-cum-mining lease or a mining lease.

**4.2.5 Section 11 of MMDR Amendment 2015** (1) The provisions of this section shall not be applicable to cases covered by section 10A or section 17A or to minerals specified in Part A or Part B of the First Schedule or to land in respect of which minerals do not vest in the Government.

(2) In areas where there is evidence to show the existence of mineral contents as required by clause (a) of sub-section (2) of section 5, the State Government shall grant a mining lease for minerals other than notified minerals following the procedure laid down in section 10B.

(3) In areas where there is inadequate evidence to show the existence of mineral contents as required under clause (a) of sub-section (2) of section 5, the State Government shall grant a prospecting licence-cum-mining lease for minerals other than notified minerals in accordance with the procedure laid down in this section.

(4) The State Government shall notify the areas in which prospecting licence-cum-mining leases shall be granted for any minerals other than notified minerals, the terms and conditions subject to which such prospecting licence-cum-mining leases shall be granted,

and any other relevant conditions, in such manner as may be prescribed by the Central Government.

(5) For the purpose of granting prospecting licence-cum-mining leases, the State Government shall select, through auction by method of competitive bidding, including e-auction, an applicant who fulfils the eligibility conditions as specified in this Act.

(6) The Central Government shall prescribe the terms and conditions, and procedure, subject to which the auction shall be conducted, including the bidding parameters for the selection, which may include a share in the production of the mineral, or any payment linked to the royalty payable, or any other relevant parameter, or any combination or modification of them.

(7) Without prejudice to the generality of sub-section (6), the Central Government shall, if it is of the opinion that it is necessary and expedient to do so, prescribe terms and conditions, procedure and bidding parameters in respect of categories of minerals, size and area of mineral deposits and a State or States, subject to which the auction shall be conducted.

(8) The State Government shall grant a prospecting licence-cum-mining lease to an applicant selected in accordance with the procedure laid down in this section.

(9) The holder of a prospecting licence-cum-mining lease shall be required to complete, within the period laid down in section 7, the prospecting operations satisfactorily as specified in the notice inviting applications.

(10) A holder of a prospecting licence-cum-mining lease, who completes the prospecting operation as laid down in sub-section (9) and establishes the existence of mineral contents in the area in conformity with such parameters as may be prescribed for this purpose by the Central Government, shall be required to apply for a mining lease for such area and shall have the right to get the mining lease and thereafter undertake mining operations in accordance with the provisions of this Act.”

**4.2.6 Transfer of Mineral Concessions 12A.** (1) The provisions of this section shall not apply to minerals specified in Part A or Part B of the First Schedule.

(2) A holder of a mining lease or a prospecting licence-cum-mining lease granted in accordance with the procedure laid down in section 10B or section 11 may, with the previous approval of the State Government, transfer his mining lease or prospecting licence-cum-mining lease, as the case may be, in such manner as may be prescribed by the Central Government, to any person eligible to hold such mining lease or prospecting licence-cum-mining lease in accordance with the provisions of this Act and the rules made thereunder.

(3) If the State Government does not convey its previous approval for transfer of such mining lease or prospecting licence-cum-mining lease, as the case may be, within a period of ninety days from the date of receiving such notice, it shall be construed that the State Government has no objection to such transfer: Provided that the holder of the original mining lease or prospecting licence-cum-mining lease shall intimate to the State Government the consideration payable by the successor-in-interest for the transfer, including the

consideration in respect of the prospecting operations already undertaken and the reports and data generated during the operations.

(4) No such transfer of a mining lease or prospecting licence-cum-mining lease, referred to in sub-section (2), shall take place if the State Government, within the notice period and for reasons to be communicated in writing, disapproves the transfer on the ground that the transferee is not eligible as per the provisions of this Act: Provided that no such transfer of a mining lease or of a prospecting licence-cum-mining lease, shall be made in contravention of any condition subject to which the mining lease or the prospecting licence-cum-mining lease was granted.

(5) All transfers effected under this section shall be subject to the condition that the transferee has accepted all the conditions and liabilities under any law for the time being in force which the transferor was subject to in respect of such a mining lease or prospecting licence-cum-mining lease, as the case may be.

(6) The transfer of mineral concessions shall be allowed only for concessions which are granted through auction.

#### **4.2.7 Introduction of category specified as ‘Notified Minerals’ under the Fourth Schedule.**

The Amendment adds a new schedule to the MMDR Act, 1957, which includes Bauxite, Iron Ore, Limestone and Manganese Ore. The 4 minerals are defined as notified minerals and their end use is specified by the Central Government under the newly released mineral auction rules. Accordingly, bauxite, iron ore and limestone can only be reserved for the end-use of alumina, integrated steel plants and cement plants by state governments respectively whereas a manganese mine can't be reserved for any end-use. Moreover, a two-stage auction model comprising of a technical bid initially followed by a financial bid has been proposed for iron ore, bauxite, limestone and manganese ore.

#### **4.2.8 Provision of Composite License i.e. Prospecting Licence-cum-Mining Lease (PL-cum-ML).**

Under the existing act, there were 3 kinds of licences that could be granted - Reconnaissance Permit (RP), Prospecting Licence (PL) and Mining Lease (ML). A RP is granted for preliminary prospecting through regional, aerial, geophysical or geochemical surveys and geological mapping. A PL is required for exploring, locating and proving mineral deposits. An ML is required to finally extract minerals. The Amendment creates a new category of mining licence i.e. the prospecting licence-cum-mining lease (PL-cum-ML) referred to as the **Composite Licence**, which is a two stage-concession for the purpose of undertaking prospecting operations (exploring or proving mineral deposits), followed by mining operations. It is in accordance with the new provisions that the Central Government has come out with the new mineral auction rules. Companies that were granted reconnaissance permits or prospecting licenses before the implementation of the new mining law will have the first right on prospecting and mining licenses, respectively.

#### 4.3.1 Status of Implementation of the MMDR (Amendment) Act 2015:

In pursuance to the provision of Section 8A of MMDR (Amendment) Act, 2015, the State Government has extended the period of mining leases in respect of 84 leases so far. The break up of the said mining leases are as follows:

<b>Name of Mineral</b>	<b>No. of Leases</b>
Bauxite	2
Chromite	8
Chromite and Pyroxenite	1
Dolomite	2
Iron and Manganese	17
Iron Ore	27
Limestone	2
Limestone and Dolomite	7
Manganese Ore	11
Sand Stowing)	3
Iron and Bauxite	2
Chinaclay	1
Pyroiphyte and Quartzzite	1
<b>Total</b>	<b>84</b>

#### 4.3.2 Auction of Mineral Blocks:

As per Mineral Auction Rules, 2015, the mineral bearing blocks which have been explored up to G2 level are now being processed for auction and accordingly one iron ore block, namely, Ghoraburhani-Sagasahi Iron Ore Block was successfully auctioned during the financial year 2015-16. Subsequently during the financial year 2016-17, two minor blocks e.g. Kotametta Limestone Block of Malakangiri District and laserda-Pacheri Manganese Ore block of Keonjhar district have already been auctioned during December 2016. During the financial year 2016-17 (upto December 2016), 57 applications for PL, 6 applications for M.L and 2 applications for RML for decorative stones have been disposed of. The maximum quantity of ore/minerals that can be extracted is given in annexure- IV.

#### 4.3.3 CSR Activities of Odisha Mining Corporation (OMC)

The objective of Corporate Social Responsibilities (CSR) is to improve 'Quality of Life' of the communities on a sustainable basis in a pro-development inclusive model of growth.

The major CSR activities of the OMC are:

1. Safe Drinking Water and Sanitation
2. Solar light as an alternative source of village lightning
3. Vocational Skill Training
4. Model village
5. Education
6. Hunger and Malnutrition
7. Environment

Details of CSR works sanctioned by the OMC during 2016-17 (upto 31-01-2017)

CSR works undertaken by OMC	Amount (₹ in crore)
Keonjhar	3.74
Sundergarh	5.73
Jajpur	1.47
Other district	8.98
CMRF	30.00

#### 4.4 Mineral concession rules 2016

The Minerals (Other than Atomic and Hydro Carbons Energy Minerals) Concession Rules, 2016 prescribe the procedures for regulating the grant of mineral concessions and for purposes connected therewith. The provisions of these rules cover (i) Rights of existing holders of mineral concessions, (ii) Mineral concessions granted through auction, (iii) Terms and conditions of mineral concessions, (iv) Preparation of the mining plan and system of certification, (v) Expiry of a mining lease, (vi) Lapse, surrender or termination, (vii) Transfers, (viii) Procedure for obtaining a prospecting licence or mining lease in respect of land in which the minerals vest in a person other than the government, (ix) Revision, (x) Associated minerals, (xi) Minerals valuation, (xii) Payments, (xiii) Compensation, (xiv) Penalty, (xv) Repeal and saving, etc.

As per sub-section (1) of section 4 of the Mines and Minerals (Development and Regulation) Act, 1957, no person shall undertake any reconnaissance, prospecting or mining operations in any area, except under and in accordance with the terms and conditions of a reconnaissance permit or of a prospecting license or, as the case may be, a mining lease, granted under the Act and the rules made thereunder. In view of this, mining without a mining lease is illegal. The MMDR Amendment Act, 2015 has done away with the concept of renewal of a mining lease. **Therefore, there is no renewal of mining leases after 12.01.2015.**

Extensions of tenure of mining leases are done by the state governments in accordance with the provisions of section 8A introduced through the MMDR Amendment Act, 2015. Sub-sections (5) and (6) of section 8A introduced through the MMDR Amendment Act, 2015, provide for extension of tenure of mining leases upto 50 years from the date of grant of the lease, or the period of renewal already approved, or till 31.3.2020/31.3.2030 as the case may be (depending on whether it is a captive lease or

otherwise), whichever of the three is later, subject to the condition that all the terms and conditions of the lease have been complied with.

In view of the above, the MMDR Act, 1957 provides for the tenure of the mining leases to extend beyond 25 years.

#### **4.5 Audit Checks:**

In audit care should be taken to examine the following points that may probably happen/come up with the changing features in MMDR Act: Thus it is to be checked to ascertain whether -

- there are sufficient regulatory provisions, institutional arrangements, adequate monitoring and enforcement measures to secure transparency and non-arbitrariness in mine allocations;
- the current mechanism of royalty and taxes ensures equitable distribution of the windfall profits made by companies;
- provisions are there to ensure sufficient investment in exploration (particularly strategic minerals) development of technology and implementation of best practices;
- the legacy of captive mines are not distorting the market;
- it has become beneficial to the affected communities, particularly in a situation where most of the mining districts in the country are the poorest;
- it ensures better environment performance; the burden of abandoned mines. For instance, with respect to environment, health and safety management in the mines, currently four regulatory institutions are involved – MoEF & CC, IBM, SPCBs (and PCCs), Directorate General of Mines Safety. It is to be observed in audit whether the organizations have been functioning efficiently and effectively. Again Long lease period with subsequent re-auctioning provision will give excuse to leaseholders to keep the mines open and shift the burden of rehabilitation to future generation which would lead to defeat of the idea of sustainable development. This will encourage the practice of “dig and run”, adding to India’s poor legacy of orphaned mines.
- The valuation of mineral deposits can be done as auctioning may result in undervaluation of minerals and subsequent lower revenue earnings for the state government; or overvaluation, resulting in the inability of the concession holder to meet commitments.
- Auctioning is suited for prospecting cum mine leases; sensitive areas, will create huge problems.
- Specificity of District Monetary Fund (DMF) is there.
- Captive mining disincentivises the efficient use of mineral resources by the end-user and encourages poor mining practices. It is a proven fact that companies acquiring raw material and energy from the open market at a higher cost have innovated in technology to improve efficiency, while those with mines do not have any incentive to do so. There may also be poor mines management.
- There are problems with auctioning of unknown deposits and prospecting.

- Auctioning is resorted to the process of revenue maximization, as auctioning without social and environmental safeguards may bring in mining ecologically fragile, and
- Increasing penalty and setting up new courts has become a double-edged sword as simply increasing penalty for violations within the existing institutional framework makes rent-seeking behavior even more lucrative and will not be effective in curbing illegality.

## CHAPTER - V

### MINING LAW

(Various terms as defined in the Mining Act and Rule are given below:)

#### **5.1 Definitions:**

- a) “Mineral” means all minerals except mineral oils {Section 3(a)}
- b) “Notified minerals” means any mineral specified in the Fourth Schedule {Section 3(ea)}
- c) “Mineral Oils” include natural gas and petroleum (Section 3(b))
- d) “Mining Lease” means a lease granted for the purpose of undertaking mining operations, and includes a sub lease granted for such purpose (Section 3(c))
- e) “Mining operations” means any operation undertaken for the purpose of winning any mineral (Section 3(d))
- f) “Minor minerals” means building stones, gravel, ordinary clay, ordinary sand other than sand used for prescribed purposes, and any other mineral which the Central Government may, by notification into official Gazette, declare to be a minor mineral’ {Section 3(e)}
- g) “Prescribed” means prescribed by Rules made under this Act (Section 3(f))
- h) “Prospecting licence” means a licence granted for the purpose of undertaking prospecting operations: {Section 3(g)}
- i) “Prospecting licence-cum-mining lease” means a two stage concession granted for the purpose of undertaking prospecting operations followed by mining operations {Section 3 (ga)}
- j) “Prospecting Operation” means any operations undertaken for the purpose of exploring, locating or proving mineral deposits (Section 3(h)).
- k) “Reconnaissance Operations” means any operations undertaken for preliminary prospecting of mineral through regional, aerial, geophysical or geochemical surveys and geological mapping, but does not include pitting trenching, drilling or sub-surface excavation. {Section 3(ha)}
- l) “Reconnaissance permit” means a permit granted for the purpose of under-taking reconnaissance operations. {Section 3(hb)}.
- m) “Special Court” means a Court of Session designated as Special Court under sub-section (1) of Section 30B (Section 3 (hc)
- n) The expressions “mine and “owner” have the meaning assigned to them in the Mines Act, 1952 (35 of 1952) {Section 3(I)}.
- o) “Act means the Mines and Minerals (Development and Regulation) Act, 1957 (67 of 1957) {Rule 2(i)}.
- p) “Rules” means the mineral concession Rules 1960 (Rule-1).

- q) "Form" means a form set out in Schedule-1 to the mineral concession Rules 1960 (Rule-2(ii))
- r) "Schedule" means a schedule appended to Mineral Concession Rules 1960. {Rule 2(iv)}.
- s) "Section" means Section of the Mines and Minerals (Regulation and Development) Act 1957 {Rule 2(v)}.

## 5.2 Applicability:

In order to determine the respective fields of legislation of the State Legislature as well as the Union parliament, reference has to be made to entry 54 in list I and Entry 23 in list II to the seventh schedule to the Constitution of India which reads as under:-

54 (list I): -Regulation of mines and minerals development to the extent to which such Development and Regulation under the control of the Union is declared by Parliament by law to be expedient in the public interest.

23 (list II): -Regulation of mines and mineral development subject to the provision of list I with respect to Development and Regulation under the control of union".

**5.2.1** In *Hingir-Rampur Coal Co. Ltd. vs. The State of Odisha* (AIR 1961 S (459)). The respective scope of these *two* entries was, stated as under:-

"The jurisdiction of the State Legislature under Entry 23 is subject to the limitation imposed by the latter part of the said entry. If Parliament by its law has declared that Development and Regulation of mines should in public interest be under the control of the Union, to the extent of such declaration, the jurisdiction of the State legislature is excluded. In other words, if a Central Act has been passed which contains a declaration by Parliament as required by Entry 54, and if the said declaration covers the field occupied by the impugned Act, the impugned Act would be ultra vires, not because of any repugnance between the two statutes but because the State Legislature had no jurisdiction to pass the law. The limitation imposed by the latter part of Entry 23 is a limitation on the legislative competence of the State Legislature itself. This position is not in dispute".

The matter was again considered by their Lordship of the Supreme Court in the State of Odisha vs. *M/s M.A. Tulloch and Co.* (AIR 1964 S.C.1284) wherein it was observed as follows:

Coming now to the seventh schedule, Entry 23 of the state list vests in the State Legislature the power to enact laws on the subject of regulation of mines and minerals development subject to the provisions of list-I with respect to Development and Regulation under the control of Union.

It would be seen that subject to the provisions of list I, the power of the State to enact legislation on the topic of 'mines and mineral development' is plenary. The relevant provision in Entry 54 of List I is as already noticed. There is no controversy that the Central Act has been enacted by Parliament in exercise of the legislative power contained in Entry 54 or as regards the Central Act containing a declaration in terms of what is required by Entry 54 for

it enacts by Section 2:-

"It is hereby declared that it is expedient in the public interest that the Union should take under its control the regulation of mines and the development of minerals to the extent here in after provided".

It does not need much argument to realise that to the extent to which the Union Government had taken under its control 'the Development and Regulation of minerals' so much was withdrawn from the ambit of the State Legislature under Entry 23 and legislation of the State which had vested on the existence of power under that entry would to the extent of that 'control' be superseded or be rendered ineffective, for here we have a case not of mere repugnancy between the provisions of the two enactments but of a denudation or deprivation of State legislative power by the declaration which Parliament is empowered to make and has made.

**5.2.2** Thus, from the discussion made above it would be clear that under Entry 54 of list I of the seventh schedule, parliament is empowered to enact legislation to regulate mineral development. Accordingly the grant of rights over the land for exploring or exploiting mineral resources in a State is governed by the Mines and Minerals (Regulation and Development) Act, 1957 and the Mineral concession Rules, 1960 which are Central legislations. Changes in the above provisions as incorporated in MMDR Amendment Act 2015 is below:

### **5.3 Existing Leases:**

**5.3.1** Under the Bengal Regulation 1 of 1793, 2 of 1793, Bihar and Odisha Regulation 3 of 1872, Madras Regulation of 1802, in permanently settled areas, the property in the soil i.e., the right to mines and minerals vested in Zamindars and land holders. In the case of former princely States, the ex-Rulers exercised all such authority by virtue of the India Independence Act, 1947. By virtue of the different merger agreements, all these rights passed on to the successor State Government who became the owners of the mines and minerals in those merged territories.

**5.3.2** Thus, in areas directly managed by the provincial Government, the mineral concessions were governed by the Mines and Minerals (Regulation and Development) Act 1948 and the Mineral concession Rules made there under. These have been replaced by the Act 1957 and the Rules of 1960.

**5.3.3** In the case of grants by ex-Rulers, the existing leases would continue to operate as leases under the State Government concerned subject to modifications at the time of renewal. There appears no provision to modify the terms of the leases or for termination of the leases on merger.

**5.3.4** Under the Odisha Estate Abolition Act 1951, all mines comprised in the Estate or Estates acquired under the Act as were being worked directly by the intermediary on the date of vesting were deemed to have been leased by the State Government to the intermediary, the Royalty/Dead Rent being levied at agreed rate. The act provides that cases of disagreement are to be referred to a Mines Tribunal constituted under the Act.

**5.3.5** In case where the lessee had not, in the opinion of the State Government, done by any prospecting or developing work before the commencement of the Estates Abolition Act, (Dated the 9 February 1952) Government could, within one year from the said date issue three months notice terminating the lease. Thus all mining leases granted by a Zamindar after dated 9 February 1952 could be cancelled by Government on vesting as prior to that date no prospecting work could have been taken up at all.

Thus, leases granted by the ex-Zamindar after the date of vesting are illegal, those granted prior to dated the 9 February 1952 where no prospecting work was started prior to that date, as well as all leases granted after that date are subject to cancellation.

#### **5.4 Changes in law:**

As indicated in para 5.3.2 above, the Act of 1948 and the Rules of 1949, were replaced by those of 1957 and 1960, respectively. Under the earlier Act of 1948, the Government of India made the Mining leases (modification of Terms) Rules 1956, which empowered the Controller of Mining leases of India, after following the prescribed procedure, to modify any existing mining lease i.e., those in force prior to the coming into force of the old Act, (25 October 1949) to bring it in conformity with that Act and the Mining Rules of 1949. With the coming into force of the Mines and Minerals (Development and Regulations) Act, 1957, from the 1st June 1958 all mining leases granted before the 25 October 1949 shall be brought into conformity with the provisions of the new Act and the Mining leases (Modification of Terms) Rules 1956, continued to have force under the new Act (vide Sections 16 and 29). However, no provision existed in the new Act to bring leases entered into after dated the 25 October 1949 into conformity with the new Act. This limitation applied also to all leases which were continued under Section 11 of the Odisha Estates Abolition Act 1951. That is, all such leases continued under Section 11 *ibid*, were treated not as continuing leases but new "statutory leases" and hence Section 7 of the old Act or 16 of the new Act could not be applied with the amendment of the 1957 Act by the comprehensive amendment from dated the 12 September 1972, all leases granted prior to dated the 12 September 1972 were required to be modified to bring them in conformity with the new Act as so amended, within six months or such extended period as approved by the Central Government. This provision also applied to the "statutory leases" under Section 11 of the Odisha Estates Abolition Act. In other words, by about the end of March 1973 all leases existing on dated the 12 September 1972 were to have been brought in conformity with the provisions of the amended Act as it stood after dated the 12 September 1972.

**Exception** - while the land granted for mineral extraction is generally governed by the procedure laid down in the Act and the Rules referred to in para 3.1 above, there are certain important exception as indicated below:-

- a) The Act and Rules do not apply to Minor Minerals, which include building stone, gravel, ordinary clay, ordinary sand not used for storing in coal mines etc., and other minerals declared by the Central Government to be minor minerals from time to time (**Annexure IX shows declaration of minor minerals in addition to the minerals already declared**).

- b) As the Act and Rules merely regulate the grant of leases and licences by the State Government and empowered that Government to refuse to make any such grant where, it is intended to undertake departmental operations, the latter do not fall under the procedure prescribed under the Act.
- c) Under Section 17 of the Act, the Central Government after consultation with the State Government may reserve specified areas not already held under a prospecting licence or mining lease, for its own exploitation. Such areas cannot be granted away under the other provisions of the Act to private parties or even reserved for exploitation by the State Government itself. While other restrictions as to the maximum area or period or other procedural aspects do not apply to such an operation, and these were to be determined by an agreement between the two Governments, the Central Government is bound to pay the State Government all fees prospecting rents, royalties which would have been paid by a private lessee.

## **CHAPTER - VI**

### **COAL MINING**

**6.1** Exploitation of coal by private parties in the coal fields in the state was governed by the Mines and Minerals (Regulation and Development) Act 1957 as amended and Mineral Concession Rules 1960 as applicable to other minerals. When the **National Coal Development Corporation** was setup in 1951, the coal mines formerly operated by private lessees, were taken over by the National Coal Development Corporation which paid royalty and other dues, as would be payable by the former lessees, under the Act.

**6.2** In 1957, the Central Government enacted coal **Bearing Areas Act, 1957**, by virtue of which the Central Government could take over any area, likely to bear coal after giving notice. Accordingly, in addition to management and control of the existing coal mines, some virgin areas were also taken over by National Coal Development Corporation, under this Act. In the coal bearing areas Act, 1957, **there is no provision for payment of royalty nor for execution of a lease deed in respect of the area acquired.** In respect of all such area, however, compensation equal to royalty and no other dues like surface rent etc. are payable.

**6.3** With a view to ensuring rational exploitation and promoting optimum utilization of coal resources, consistent with the growing demand on the economy, all the existing coal mines were taken over by the Central Government by an ordinance issued on dated the 31<sup>st</sup> January 1973, followed up by **Coal Mines (Takeover of Management) Act, 1973**. Thereafter, by virtue of Coal Mines Nationalisation Act, 1973, which came into force from dated the 1<sup>st</sup> May 1973, no virgin coal bearing area is given to any private party for exploitation and new organisation called the **Coal Mines Authority** has been set up. Accordingly, the coal mines in the Talcher area and Sambalpur area were under the two wings of this authority, namely **Central Coal Field** and **Western Coal field** respectively, which has been subsequently changed and now the coal mines are under **Mahanadi Coal Field**.

**6.4** This Act and the Rules don't also apply to mineral oils to which the oil fields (Regulation and Development) Act 1948 and Petroleum Concession Rules apply. The issue of coal pricing and coal royalty has grabbed a lot of public attention of late and has become significant today, not only from the economic, but social and political point of view also. The coal pricing takes social overtones because it affects a huge number of end-users, customers and stakeholders, including prime industries. The coal prices take economic overtones because of profit margin considerations of coal companies and coal supply to power companies which indirectly affect electricity tariffs also. And, it often takes political overtones because of coal royalty issue between the Centre-States regarding demand of higher royalty rates and levy of other Cess by states. The issue therefore affects the fiscal federalism too.

**6.5** The coal price fixation is a complex mechanism involving several factors, principles and parameters. After deregulation of coal pricing by the Government, it is the Coal companies themselves which now fix the coal prices. In general, the coal prices are fixed based upon input cost for coal production, demand-supply equation, inflationary pressures, wage costs, market capacity to absorb the coal prices, the acceptance and rejection level of

the consumers, landed cost of imported coal and financial viability of the new coal projects. But, the crucial and significant aspect is that coal pricing should strike a balance between inflation, market prices and interests of the end-consumers. In this context the end users of coal were broadly categorized into two – Consumers of coal in the regulated sector (Power Utilities, Fertilizer and Defence) and those in the non-regulated sector (Cement, Sponge iron, Paper, Rubber, Engineering industry etc.). Steel sector is also a deregulated sector but prices of washed coking coal supplied to integrated steel plant is decided based on negotiation between Coal India Limited (CIL) and Steel Authority of India Limited (SAIL) on import parity basis - Si Value (UHV) to Gross Calorific Value (GCV) with effect from 01.01.12. Accordingly, there are different grades of coal depending on their calorific value and different prices for each grade. But, there is lack of a common National Policy for Coal Prices for the coal companies. Earlier, when UHV grading system was prevalent, there were different prices for the same grade of coal across different companies. Even today, under GCV grading system, the coal prices are not fully uniform for all the coal companies of Coal India Limited. There are various other issues also, like e-auction under New Coal Distribution Policy, coal-theft and illegal mining, coal linkages, New Coal Pricing mechanism for supply of imported coal on cost-plus basis under which price burden of imported coal is passed onto the consumers and coal royalty from captive mines given to private parties which need to be properly addressed as these issues have a direct or indirect bearing on coal price determination. The freight rates also impact the coal prices. It is necessary that rail freight rates for coal transport are rationalized and other modes of transport may also be explored so as to ensure speedy and cost effective movement of coal.

**6.6** Coal royalty is a consideration or charge for exploitation of coal, a non-renewable natural resource. The power of granting coal mining lease lies with the State Government. With the enactment of the Mines and Minerals (Regulation & Development) Act in 1957, the system of fixing the rates of royalty and its collection were redefined. In the modern times, royalty came to be known as a charge by the owner of the minerals from those who are given the concession to remove them. For fixing the rate of royalty on coal/lignite, the Ministry of Coal constitutes a study group headed by the Additional Secretary for fixing the rate of royalty on coal. The Study Group takes the views of all the stakeholders like the coal producing and consuming states and the major consumer sectors such as power, iron and steel, cement etc. The royalty rates were last revised in 2012.

**6.7** The Government, after having detailed discussions with all the stakeholders, decided to switch over to *ad-valorem regime* in coal and lignite sector from the earlier fixed and variable component of royalty. Accordingly as per notification vide GSR No.349 (E) dated 10-5-2012, royalty on coal was fixed @ 14% *ad-valorem* and lignite @ 6% *ad-valore*. (**Annexure – III** exhibits latest coal price notification by CIL GCV-wise). For calculating royalty on coal and lignite produced from captive mines the price of coal and lignite mean the basic pithead price of Run of Mines (RoM) coal and lignite as notified by Coal India Ltd., Singareni Collieries Company Ltd., and Neyveli Lignite Corporation for similar GCV of coal or lignite for the mines nearest to the captive mines. Provided that for the coal and lignite produced from the coal and lignite blocks, allocated under the Government dispensation route for commercial use, the respective *ad-valorem* royalty shall be applicable on the price notified by the respective State Governments.

**Adjustment of royalty against levying of cess:** For the States other than West Bengal, for the levy of cess or other taxes specific to coal bearing lands, the royalty allowed shall be adjusted for the local cesses or such taxes, so as to limit the overall revenue yield.

### **6.8 Audit Checks:**

1. To see whether royalty of Coal @ 14% ad-valorem has been assessed or not.
2. To see whether for calculating royalty of Coal from captive Mines the price of coal is the basic pithead price of Run of Mines (ROM) as notified by Coal India Ltd.
3. To see whether differential royalty is assessed and calculated for sizing of Coal (100mm) or not.

### **6.9 Granting of reconnaissance permit, prospecting licence or mining lease in respect of coal and lignite**

**MMDR Amendment 2015** - Clause 11A. (1) Notwithstanding anything contained in this Act, the Central Government may, for the purpose of granting reconnaissance permit, prospecting licence or mining lease in respect of any area containing coal or lignite, select any of the following companies through auction by competitive bidding, on such terms and conditions as may be prescribed, namely:—

(a) a Government company or corporation or a joint venture company formed by such company or corporation or between the Central Government or the State Government, as the case may, or any other company incorporated in India; or

(b) a company or a joint venture company formed by two or more companies, may carry on coal mining operations in India, in any form either for own consumption, sale or for any other purpose in accordance with the permit, prospecting licence or mining lease, as the case may be.

(2) The Central Government may, with a view to rationalise coal and lignite mines referred to in sub-section (1), so as to ensure the co-ordinated and scientific development and utilisation of resources consistent with the growing requirements of the country, from time to time, prescribe—

- (i) the details of mines and their location;
- (ii) the minimum size of the such mines;
- (iii) such other conditions,

which in the opinion of that Government may be necessary for the purpose of mining operations or mining for sale by a company.

(3) The State Government shall grant such reconnaissance permit, prospecting licence or mining lease in respect of any area containing coal or lignite to such company as selected through auction by competitive bidding or otherwise under this section: Provided that the auction by competitive bidding under this section shall not be applicable to an area containing coal or lignite—

(a) where such area is considered for allocation to a Government company or corporation or a joint venture company formed by such company or corporation or between the Central Government or the State Government, as the case may be;

(b) where such area is considered for allocation to a company or corporation or that has been awarded a power project on the basis of competitive bids for tariff (including Ultra Mega Power Projects).

**Explanation.—For the purposes of this section, "company" means a company as defined in clause (20) of section 2 of the Companies Act, 2013."**

## CHAPTER - VII

### **Procedure and prerequisite for sanction and management of mining concessions**

**Application** - These rules shall apply to all minerals, except minerals notified as minor minerals specified in clause (e) of section 3 and minerals specified in Part A and Part B of the First Schedule to the Act.

**Grant of concession.**- (1) Where mineral contents of an area has been established as specified in the Minerals (Evidence of Mineral Contents) Rules, 2015, mining lease shall be granted in the manner specified under Chapter II with respect to any notified minerals referred to in sub-section (3) of section 10B or with respect to any minerals other than notified minerals referred to in sub-section (2) of section 11. A Composite Licence with respect to an area where requirements specified in rule 7 of the Minerals (Evidence of Mineral Contents) Rules, 2015 have been satisfied, shall be granted in the manner specified under Chapter III with respect to any notified minerals referred to in sub-section (2) of section 10B or with respect to any minerals other than notified minerals referred to in sub-section (3) of section 11.

The Gazette of India: Extraordinary [part ii—sec. 3(i)] Chapter ii Grant of Mining Lease

#### **7.1 Prerequisites for auction of Mining Lease.-**

The State Government may initiate an auction process for grant of a mining lease with respect to an area within the State if the mineral contents in such area has been established in accordance with the provisions of the Minerals (Evidence of Mineral Contents) Rules, 2015. The State Government shall, prior to issuance of the notice inviting tender with respect to mineral auction, identify and demarcate the area where a mining lease is proposed to be granted through auction by using total station and differential global positioning system and the area so demarcated shall be classified into forests land, land owned by the State Government and land not owned by the State Government. The extent of area so demarcated shall include area required for all the activities falling under the definition of 'mine' as defined in clause (j) of sub-section (1) of section 2 of the Mines Act 1952 (35 of 1952).

**7.1.1 Eligibility for Mining Lease.**- (1) For the purpose of participating in the auction of mining lease, an applicant shall meet the requirements as specified in section 5 and the terms and conditions of eligibility as specified in Schedule I. The State Government may having regard to article 244 and the Fifth Schedule and Sixth Schedule to the Constitution, the provisions of the Panchayats (Extension to the Scheduled Areas) Act, 1996 (40 of 1996); and the Scheduled Tribes and other Traditional Forest Dwellers (Recognition of Forest Rights) Act, 2006 (2 of 2007), make such amendments to Schedule I as it may deem necessary. The powers of Central Government under the proviso to sub-section (6) of section 10B shall be exercised by the State Government for reservation of particular mine or mines for any particular end use including the end use as specified in Schedule II and the State Government may earmark certain percentage of mines for end use. Where the State Government reserves

a mine or mines for any particular specified end use, the minerals extracted under the mining lease shall, - (i) be utilised solely for the specified end use; and (ii) not be sold or transferred or otherwise disposed of, either directly or indirectly. The eligibility for participating in the auction shall be determined as per the terms and conditions of eligibility for participating in the auction and the Successful Bidder shall be decided solely on the basis of financial bids submitted by the eligible bidders.

**7.1.2. Electronic Auction.-** An auction shall be conducted only through an online electronic auction platform. The State Government may utilise any online electronic auction platform which meets the minimum technical and security requirements as specified in the Guidelines for compliance to Quality requirements of e-Procurement Systems issued by the Standardization Testing and Quality Certification Directorate, Department of Information Technology, Ministry of Communications and Information Technology, Government of India.

**7.1.3. Bidding parameters.-** (1) The State Government shall specify in the tender document the minimum percentage of the value of mineral despatched, which shall be known as the “**reserve price**”. The value of mineral despatched shall be an amount equal to the product of,- (i) mineral despatched in a month; and (ii) sale price of the mineral (grade-wise and State-wise) as published by Indian Bureau of Mines for such month of despatch. The bidders shall quote, as per the bidding parameter, for the purpose of payment to the State Government, a percentage of value of mineral despatched equal to or above the reserve price and the successful bidder shall pay to the State Government, an amount equal to the product of,- (i) percentage so quoted; and (ii) value of mineral despatched. Where an area is being auctioned for more than one mineral, the percentage of value of mineral despatched as quoted by the successful bidder under sub-rule (3) shall be applicable for the purpose of payment to the State Government in respect of each such mineral. If subsequent to grant of a mining lease, one or more new minerals are discovered, the percentage of value of mineral despatched as quoted by the successful bidder under sub-rule (3) shall be applicable for the purpose of payment to the State Government in respect of each such mineral.

**7.1.4 Bidding Process.-** (1) Subject to the provisions of rule 5, the State Government shall issue a notice inviting tender, including on their website, to commence the auction process and such notice shall contain brief particulars regarding the area under auction, including,- (a) particulars of the area identified and demarcated using total station and differential global positioning system divided into forest land, land owned by the State Government, and land not owned by the State Government; and (b) estimated mineral resources and brief particulars regarding evidence of mineral contents with respect to all minerals discovered in the area during exploration in accordance with the provisions of the Minerals (Evidence of Mineral Contents) Rules, 2015. The tender document issued by the State Government shall contain,- (a) geological report pursuant to the Minerals (Evidence of Mineral Contents) Rules, 2015 specifying particulars and estimated quantities of all minerals discovered in the area; and (b) revenue survey details of the area identified and demarcated using total station and differential global positioning system divided into forest land, land owned by the State Government, and land not owned by the State Government. (3) The bidders shall be provided a fixed period, as notified by the State Government, to study the tender document and such reports and the bidding process shall commence only on expiry of such period. The auction shall be an ascending forward online electronic auction and shall comprise of the following

rounds, namely:- (a) First Round of Auction to be held in the following manner, namely:- (i) the bidders shall submit - (A) a technical bid comprising amongst others, documentary evidence to confirm eligibility as per the provisions of the Act and the rules made thereunder to participate in the auction, bid security and such other documents and payments as may be specified in the tender document; and (B) an initial price offer which shall be a percentage of value of mineral despatched; (ii) only those bidders who are found to be eligible in accordance with the terms and conditions of eligibility specified in rule 6 and whose initial price offer is equal to or greater than the reserve price, referred to as “technically qualified bidders”, shall be considered for the second round of auction; (iii) the highest initial price offer amongst the technically qualified bidders shall be the floor price for the second round of online electronic auction; (iv) the technically qualified bidders shall be ranked on the basis of the descending initial price offer submitted by them and the technically qualified bidders holding the first fifty per cent of the ranks (with any fraction rounded off to higher integer) or the top five technically qualified bidders, whichever is higher, shall qualify as qualified bidders for participating in the second round of electronic auction: Provided that where the total number of technically qualified bidders is less than three, then no technically qualified bidder shall be considered to be qualified bidder and the auction process shall be annulled: Provided further that the State Government may, in its discretion, decide not to annul the auction process if even in the third or subsequent attempt the total number of technically qualified bidders continues to be less than three and the State Government may, in such case, decide to consider the technically qualified bidders as qualified bidders so as to continue with the bidding process: Provided also that if the number of technically qualified bidders is between three and five, then all the technically qualified bidders shall be considered as qualified bidders: Provided also that in the event of identical initial price offers being submitted by two or more technically qualified bidders, all such technically qualified bidders shall be assigned the same rank for the purposes of determination of qualified bidders and in such case, the aforementioned fifty per cent. shall stand enhanced to fifty per cent. plus the number of technically qualified bidders, whose initial price offers are identical less the number of such identical initial price offers. In the event there are a total of ten technically qualified bidders, and each technically qualified bidder submits different initial price offer, then the technically qualified bidders holding the first fifty per cent. of ranks shall be considered to be qualified bidders. If three such technically qualified bidders submit the same initial price offer and are ranked in first fifty per cent. of the total number of ranks, then, all the three technically qualified bidders shall be considered to be qualified bidders and the total number of qualified bidders shall stand increased by two. (b) Second Round of Auction to be held in the following manner, namely:- (i) the qualified bidders may submit their final price offer which shall be a percentage of value of mineral despatched and greater than the floor price: Provided that the final price offer may be revised till the conclusion of the auction as per the technical specifications of the auction platform; (ii) The auction process shall be annulled if none of the qualified bidders submits a final price offer on the online electronic auction platform; (iii) the qualified bidder who submits the highest final price offer shall be declared as the “preferred bidder” immediately on conclusion of the auction.

**7.1.5 Grant of Mining Lease.-** The preferred bidder shall submit the first installment being ten per cent. of the upfront payment as per rule 11. Upon receipt of the first installment of the upfront payment, the State Government shall issue a letter of intent to the preferred bidder. The preferred bidder shall be considered to be the “successful bidder” upon,- (a)

continuing to be in compliance with all the terms and conditions of eligibility; (b) payment of the second installment being ten per cent. of the upfront payment; (c) furnishing performance security as specified in rule 12; (d) satisfying the conditions specified in clause (b) of sub-section (2) of section 5 with respect to a mining plan; and (e) satisfying such other conditions as may be specified by the State Government with the prior approval of the Central Government. The successful bidder shall sign the Mine Development and Production Agreement with the State Government upon obtaining all consents, approvals, permits, no-objections and the like as may be required under applicable laws for commencement of mining operations. The successful bidder shall pay the third installment being eighty per cent. of the upfront payment subsequent to execution of the Mine Development and Production Agreement, and upon such payment the State Government shall grant a mining lease to the successful bidder. The Mining Lease Deed shall be executed by the State Government within thirty days of the date of completion of the conditions specified in sub-rule (5) and shall be subject to the provisions of the Act and the rules made thereunder. The mining lease shall be for minerals found in the area pursuant to exploration prior to the auction: Provided that where, subsequent to the auction, any new mineral is discovered, then the holder of mining lease shall follow the provisions of the Mineral Concession Rules, 1960 for inclusion of such new mineral in the Mining Lease Deed. Where, prior to the auction or subsequent to the auction, presence of minor mineral is established or discovered, such minor minerals shall be dealt in accordance with such rules made by the State Government under section 15. The date on which a duly executed Mining Lease Deed is registered shall be the date of commencement of the mining lease. Upfront payment for mining lease.- An amount equal to 0.50% of the value of estimated resources shall be the upfront payment. The upfront payment shall be payable to the State Government in three installments of ten per cent.; and eighty per cent. as specified in the tender document and shall be adjusted in full against the amount paid under sub-rule (3) of rule 8 within the first five years of commencement of production of mineral as specified in the tender document.

**7.1.6 Performance security for mining lease-** The successful bidder shall provide a performance security of an amount of 0.50% of the value of estimated resources and the performance security shall be adjusted every five years so that it continues to correspond to 0.50% of the reassessed value of estimated resources. The performance security provided through bank guarantee in the format as specified in Schedule III or through security deposit, may be invoked as per the provisions of – (i) the Mine Development and Production Agreement; and (ii) the Mining Lease Deed.

**7.1.7 Payments under mining lease -** The lessee shall pay royalties and dead rent to the State Government as specified in the Act and the rules made thereunder. The lessee shall pay the applicable amount quoted under rule 8 to the State Government on a monthly basis. The lessee shall contribute such amounts as may be required under the Act to - (a) the designated account of the National Mineral Exploration Trust; and (b) the designated account of the District Mineral Foundation. The lessee shall also pay such other amounts as may be required under any law for the time being in force to the concerned authorities.

**7.1.8 Payment of Interest -** The State Government shall charge simple interest at the rate of twenty four per cent. per annum on any payment due to State Government under these rules the payment of which is delayed beyond sixty days from the due date thereof.

**7.1.9 Time Period** - The time period for compliance of rules 10 to 14 shall be as specified in the tender document.

**7.1.10 Audit Checks:** In conducting audit of auction and award of mining lease it is to be seen that whether -

1. Participants to the auction are eligible as per norm fixed;
2. Bidding has been adequately advertisement with sufficient time and scope to participate in the bidding process;
3. Grant of mining lease has been awarded to the most eligible participants or if to the next participants, adequate justification has been noted; and
4. Required security deposits has been obtained from the awardee of mining lease.
5. Besides, audit is also required to exercise his due diligence at the time of audit taking into consideration of the situation

## **7.2 Procedure for Grant of Composite Licence**

**7.2.1 Prerequisites for auction of Composite Licence-** The State Government may initiate an auction process for grant of a Composite Licence with respect to an area within the State in accordance with the provisions of the Act and this Chapter subject to the condition that the requirements of rule 7 of the Minerals (Evidence of Mineral Contents) Rules, 2015 have been satisfied: Provided that in case of an auction with respect to a notified mineral, prior approval of the Central Government shall be required. The State Government shall, prior to issuance of the notice inviting tender with respect to auction, identify and demarcate the area where a Composite Licence is proposed to be granted through auction using total station and differential global positioning system and the area so demarcated shall be classified into forests land, land owned by the State Government, and land not owned by the State Government.

**7.2.2 Auction for Composite Licence** - The auction process as specified in rules 6 to 9 shall be applicable for conduct of auction for grant of a Composite Licence subject to the following, namely:— (a) the State Government shall not make any reservation on the basis of end use; (b) the State Government shall subject to compliance of rule 16, issue a notice inviting tender, including on their website, to commence the auction process and such notice shall contain brief particulars regarding the area under auction, including,- (i) particulars of the area identified and demarcated using total station and differential global positioning system divided into forest land, land owned by the State Government, and land not owned by the State Government; and (ii) estimated mineral resources with respect to all minerals discovered in the area and brief particulars regarding satisfaction of the requirements specified in rule 7 of the Minerals (Evidence of Mineral Contents) Rules, 2015; (c) the tender document issued by the State Government, shall contain,— (i) geological report specifying particulars and estimated quantities of all minerals discovered in the area during exploration pursuant to Minerals (Evidence of Mineral Contents) Rules, 2015; and (ii) revenue survey details of the area identified, demarcated using total station and differential global

positioning system divided into forest land, land owned by the State Government, and land not owned by the State Government.

The bidders shall be provided a fixed period, as prescribed by the State Government, to study the Tender Document and such reports and the bidding process shall commence only on expiry of such period.

**7.2.3 Grant of Composite Licence** - Upon completion of the auction process, the preferred bidder shall submit a performance security in the manner specified in sub-rule (1) of rule 19 and upon receipt of such performance security, the State Government shall issue a letter of intent to the preferred bidder. On receipt of the letter of intent the preferred bidder shall be considered to be the successful bidder upon fulfillment of the following conditions, namely:— (a) compliance with all the terms and conditions of eligibility; (b) obtaining all consents, approvals, permits, no-objections and the like as may be required under applicable laws for commencement of prospecting operations; and (c) submitting the Scheme of prospecting. Upon fulfilment of the conditions specified in sub-rule (2), the State Government shall grant a Composite Licence to the successful bidder and such Composite Licence shall be subject to the provisions of the Act and the rules made thereunder, as applicable to a prospecting licence and mining lease. The minimum area for grant of a Composite Licence shall not be less than the minimum area for which a mining lease may be granted in accordance with the provisions of the Mineral Concession Rules, 1960 and the maximum area shall be in accordance with section 6 as applicable to a prospecting licence. The holder of a Composite Licence shall conduct geological exploration of the area under the Composite Licence so as to ascertain evidence of mineral contents and shall submit periodic reports in accordance with the Act and rules made thereunder, as applicable to a prospecting licence and all reports, studies and other documentation related to the geological exploration of the area under the Composite Licence shall be submitted to the State Government and Indian Bureau of Mines. If a holder of a Composite Licence,— (a) fails to complete prospecting operations in accordance with sub-section (9) of section 11 or fails to establish the existence of mineral contents in accordance with sub-section (10) of section 11, and the Minerals (Evidence of Mineral Contents) Rules, 2015, such holder shall not be eligible to receive a mining lease and the Composite Licence shall be terminated; (b) completes prospecting operations in accordance with sub-section (9) of section 11 resulting in determination of evidence of mineral contents conforming to the Mineral (Evidence of Mineral Contents) Rules, 2015, such holder shall make an application to the State Government for grant of a mining lease accompanied with the first installment, being ten per cent. of the upfront payment: Provided that the mining lease shall be granted only with respect to the area for which evidence of mineral contents has been found and shall not be for an area larger than the maximum area for which a mining lease may be granted under the Act: Provided further that any excess area shall be deemed to be surrendered by the holder of Composite Licence after completing its reclamation. Upon receipt of the duly completed mining lease application and the first instalment of the upfront payment as specified in clause (b) of sub-rule (6), the State Government shall issue a letter of intent for mining lease. A Mine Development and Production Agreement shall be executed between the State Government and the holder of Composite Licence if the holder of a Composite Licence— (a) continues to comply with the terms and conditions of eligibility; (b) pays the second installment being ten per cent. of the upfront payment; (c) furnishes the enhanced performance security as specified in sub-rule (2) of rule 19; (d) satisfies the conditions

specified in clause (b) of sub-section (2) of section 5 with respect to a mining plan; (e) obtains all consents, approvals, permits, no-objections and the like as may be required under applicable laws for commencement of mining operations; and (f) satisfies such other conditions as may be specified by the State Government with the prior approval of the Central Government. The holder of the Composite Licence shall pay the third installment being eighty per cent. of the upfront payment, subsequent to execution of the Mine Development and Production Agreement, and upon such payment, the State Government shall execute a Mining Lease Deed with the holder of the Composite Licence within thirty days of the date of completion of all the conditions specified in sub-rule (8). The mining lease shall be subject to the provisions of the Act and the rules made thereunder. The mining lease shall be for minerals found in the area pursuant to exploration prior to the auction: Provided that where subsequent to the auction, any new mineral is discovered, then the holder of the mining lease shall follow the provisions of the Mineral Concession Rules, 1960 for inclusion of such new mineral in the Mining Lease Deed. Where prior to the auction or subsequent to the auction, presence of minor mineral is established or discovered, such minor minerals shall be dealt in accordance with such rules as may be made by the State Government under section 15. (13) The date on which a duly executed Mining Lease Deed is registered shall be the date of commencement of the mining lease. 19. Performance Security for Composite Licence.—(1) An amount of 0.25% of the value of estimated resources shall be payable by the preferred bidder as performance security prior to the issuance of the Composite Licence. (2) The amount of performance security shall be revised, prior to the issuance of the mining lease, to an amount of 0.50% of the value of estimated resources. (3) The performance security provided under sub-rule (2) shall be adjusted every five years so that it continues to correspond to 0.50% of the reassessed value of estimated resources. (4) The performance security may be invoked as per provisions of,- (i) the Mine Development and Production Agreement; and (ii) the Mining Lease Deed.

After grant of lease, the certain statutory pre-requisite on the part of lease holder to commence mining activities are:

1. Approved mining plan from IBM and its validity.
2. Obtaining of clearance from MOEF&CC, if forest land is included in the instrument of lease.
3. Environmental clearance as per Rule notification of MOEF & CC.
4. Clearance from State Pollution Control Board.
5. Surface Right permission from the Collector concerned.
6. Minimum Production Quantity of Lessee and Lease working Status

#### **7.2.4. Audit Checks:**

In audit checks it is to ascertain that whether there are all statutory clearances for award of lease that has been obtained before allowing to operate the mines.

#### **7.3 Lapse of leases:**

Before the date of lapse:-

Where the holder of a mining lease fails to undertake mining operations for a period of two years after the date of execution of the lease or having commenced mining operations, has discontinued the same for a period of two years, the lease shall lapse on the expiry of the period of two years from the date of execution of the lease or, as the case may be, discontinuance of the mining operations:

Provided that the State Government may, on an application made by the holder of such lease before it lapses and on being satisfied that it will not be possible for the holder of the lease to undertake mining operations or to continue such operations for reasons beyond his control, make an order, within a period of three months from the date of receiving of such application, subject to such conditions as may be prescribed, to the effect that such lease shall not lapse:

Provided further that such lease shall lapse on failure to undertake mining operations or inability to continue the same before the end of a period of six months from the date of the order of the State Government:

Provided also that the State Government may, on an application made by the holder of a lease submitted within a period of six months from the date of its lapse and on being satisfied that such non-commencement or discontinuance was due to reasons beyond the control of the holder of the lease, revive the lease within a period of three months from the date of receiving the application from such prospective or retrospective date as it thinks fit but not earlier than the date of lapse of the lease:

Provided also that no lease shall be revived under the third proviso for more than twice during the entire period of the lease.”.

#### **Explanations:**

When the non-commencement of the mining operations within a period of one year from the date of execution of mining lease is on account of –

- (1) delay in acquisition of surface rights; or
- (2) delay in getting the possession of the leased area; or
- (3) delay in supply and installation of machinery; or
- (4) delay in getting financial assistance from banks or any financial institutions; or

- (5) ensuring supply of the mineral in an industry of which the lessee is the owner or in which he hold not less than 50% of the controlling interest and where the discontinuance of mining operations for a continuous period of two years after the commencement of such operations is on account of-
- (1) Orders passed by any constitutional or judicial authority; or
  - (2) Operations becoming highly uneconomical; or
  - (3) Strike or lockout; and the lessee is able to furnish documentary evidence supported by a duly sworn affidavit, the State Government may consider if there are sufficient reasons in both the cases.
  - (4) In case of a mining lease whose capital investment in mine development is planned to be excess of ₹ 200 crores and where the mine development is likely to take more than two years, the State Government shall consider it to be sufficient reason for non-commencement of mining operations for a continuous period of more than two years.

*(Explanation below Rule 28 as substituted by GSR 345 (E) dt. 30.3.1994 and GSR 56(E) dt. 17.1.2000)*

#### **7.4.1 After the date of lapse of lease**

If the lease is lapsed due to reasons as explained in above and the lessee submits an application to the State Government within six months from the date of its lapse, the Government on receipt of such application and on being satisfied about the adequacy and genuineness of the reasons taking into consideration the matters specified in the explanations to Rule 28, pass an order reviving the lease.

Provided that the lessee has not been revived under this provisions for more than twice during the entire period of the lease. {Rules 28-A}

#### **7.4.2 Transfer of lease:**

- (i) The lessee shall not, without the previous consent in writing of the State Government and in the case of mining lease in respect of any mineral specified in the first schedule to the Act, without the previous approval of the Central Government:-
  - (a) assign, sublet, mortgage, or in any other manner, transfer the mining lease, or any right, title or interest therein; or
  - (b) enter into or make any arrangement, contract or understanding whereby the lessee will or may be directly or indirectly financed to a substantial extent by or under which the lessee's operations or undertakings will or may be substantially controlled by any person or body of persons other than the lessee. (Rule 31(1)).

However, if the mortgagee is an institution or a Bank or Corporation specified in Schedule V, it shall not be necessary for the lessee to obtain any such consent of the State Government. Such consent will be given by the State Government if the lessee ensures that the transferee agrees to obey all the conditions and liabilities in respect of such mining lease. {Rule 37, (IA)}.

(ii) Without prejudice to Rule 37(1), the lessee may, subject to the conditions specified in the proviso to Rule 35, transfer his lease right, title or interest therein to a person holding a certificate of approval, an income tax clearance certificate in form C from the Income Tax officer concerned and a valid clearance certificate referred to in Rule 22(2)(i)(d) on payment of rupees one hundred to the State Government. In case of transfer to an institution or a Bank or a Corporation specified in schedule V the above mentioned documents are not necessary. The transfer can be made subject to the proviso to Rule 37(2).

(i) A transfer lease deed in form 'O' or a form as near thereto, as possible, shall be executed within three months of the date of the consent of the State Government given on the application for transfer of mine lease under Rule 37 or within such further period as the State Government may allow in this behalf. {Rule 37-A}.

#### **7.4.3 Disposal of left over materials:**

In respect of all leases that expired or have been determined, the following points should be seen as regards disposal of left over materials that:-

- (a) soon after expiry of six months after the date of expiry effect of determination, a detailed survey of the leased area is made and a report obtained regarding the damage done to the surface and the full extent of leftover property;
- (b) in respect of any damage to the surface area the compensation payable is determined and recovered from the lessee;
- (c) the notice of one month for removal of property is promptly issued and at the end thereof a full list of such property is prepared as those had become the property of Government;
- (d) all buildings left on the land are taken on record and action taken to lease them out promptly at appropriate rates of rents properly fixed, either by the Mining Department or the Revenue Department or used for departmental purposes;
- (e) all machinery or equipment are taken on stock and disposed of in public auction;
- (f) all scrap and other materials are listed, valued and auctioned in proper lots and money realised and credited to Government and the removal of lots is properly watched and accounted for;
- (g) all minerals left and becoming property of Government is immediately surveyed, quantified and grading determined and prompt action taken to dispose it of in auction or by any other method to the best advantage of Government;
- (h) delays in such disposal do not result in the deterioration of the equipment, material or ores or reduction in the quantity thereof.

The State Government may by order in writing determine any lease at any time, if the lessee, in the opinion of that Government committed a breach of any of the

provisions of sub-Rule(1), (1A) of Rule 37 or has transferred any lease or any right, title or interest therein in violation of Sub-Rule (2) of Rule *ibid*.

However no such order shall be made giving the lessee a reasonable opportunity of stating his case. {Rule 37(3)}.

### **7.5 Audit checks in transfer of lease:**

In the cases of transfer of leases by way of assignment, sub-lease etc., the following points should be seen that :-

- a) the transfer was approved by the State Government/Central Government in the case of specified minerals in the first schedule to the Acts.
- b) the terms of transfer do not confer any benefit or right on the transferee in excess of those contained in the main lease;
- c) in cases where the sub-lessee extracts any mineral or derives any other benefit out of the sub-lease, which the lessee is not by virtue of main lease authorized, the value thereof or the value of benefit derived there from is assessed and recovered from the lessee or sub-lessee;
- d) the transfer is not operative beyond the term of the main lease;
- e) the person to whom the lease is transferred agrees to prepare mining plan and programme of extraction duly approved by an authority by the Central Government carry out mining in accordance with the provisions of law in force;
- f) where on an application for transfer of mining lease under Rule 37, the State Government have given consent for transfer of such lease, the transfer lease deed is to be executed within three months of the date of the consent, or within such further period as the State Government may allow in this behalf;
- g) the transferee possesses the requisite certificates which an original lessee is to possess;
- h) the application for transfer is accompanied by the required fee.

{Rule 37(a)}

{Rule-37 (A)}

{Rule 37(2)}

### **7.6 Procedure for permits:**

On the basis of verification report of the Senior Inspector of Mines, the Mining Officer/Deputy Director of Mines gives a permit for removal of the ore. The clearance of the ore in lorries etc. are supported by issue of transit passes in duplicate to the carrier. The transit pass books are obtainable from the Deputy Director Mines/Mining Officer to the extent of three months requirement on payment of cost. The weight of ore in each vehicle is

ascertained as per weightment or conversion ratio accepted by the Deputy Director Mines/Mining Officer and recorded in the transit passes together with the grade. One copy of the transit pass is surrendered at the check gate which together with a weekly report is sent by the check gate clerk to the Mining Officer. The check gate also maintains a record of progressive despatches against each permitted stacks quantity to ascertain whether there have been an excess despatches or shortages.

#### **7.6.1 Monthly Returns sent by the lessee:**

The lessee is required to submit a monthly return of ore raised and dispatched (or consumed) to the Deputy Director Mines/Mining Officer which is posted in the register of raising and dispatch. These figures are verified periodically with the check gate reports and transit passes as well as the original records kept by the lessee and the counterfoils of the transit passes with him. In the case of discrepancies the higher of the figures is taken into account.

#### **7.7.1 Audit of prospecting Licences:-**

On the operations of prospecting licences the following points should be seen:-

- (a) Whether the prospecting fee as may be fixed by the State Government has been recovered for each year or part of a year in advance and for that purpose all licences are in prescribed register and demand notices issued to the licensees in time, from the date of execution of the deed. {Rule -14(1)(i), Rule 44(1)& G.S.R. 21(E) dt. 11.1.2002}
- (b) Whether, in respect of timber cut in a forest area felling charges as may be fixed by the Divisional Forest Officer and if in such case timber is used by the licensee, the cost thereof at rates not less than four times the royalty, is recovered from the licensees from time to time and credited to the Forest Department, on the basis of reports from the Divisional Forest Officer.
- (c) Whether the licensee furnishes monthly returns of various minerals raised and these are subjected to periodic verification by the department with the original records kept by them.
- (d) Whether there is a proper system of weightment of the minerals so raised and the licensee had been giving the required prior notice thereof to the Mining Officer and all clearances are permitted duly and verified properly by the Department Officers.
- (e) Whether the licensee has been permitted to remove (irregularly) any mineral other than those for which the prospective licence is valid.
- (f) Whether the licensee has been permitted to remove after the period of licence (irregularly) any ore raised during the prospecting period.
- (g) Whether the free allowance of removal of ore for the entire period of the licence including all renewals is within the limits prescribed under Rule 14 and exclusively for experimental purposes.

- (h) Whether the additional clearances of such ore (other than gold, silver and mica) on payment of royalty allowed for the entire period of the licence including all renewals does not exceed the quantities equal to those permissible as free allowance and such removals are not used for any commercial purposes.
- (i) In case of limestone whether the quantity cleared in excess of the above limits up to 500 tonnes during the said period is for testing its use for industry.
- (j) Whether in case of mica clearances on payment of royalty does not exceed ten tones during the said period of the licences (including all renewals).
- (k) In the case of gold or silver all clearances are allowed after payment of full royalty properly determined.
- (l) In all the cases of free clearance on payment of royalty (except gold, silver and mica) there is a clear system of verification of the purpose for which they are used actually by the licensee after removal and satisfy the requirements of the law (free clearances for experiments and other for non-commercial use).
- (m) Whether any clearance is allowed during the period of mining lease following a licence of any mineral raised during the prospecting period as part of removal during the lease period on payment of royalty or free.
- (n) All clearances of ore other than those mentioned above are allowed only on payment of full cost of ore based on market prices in the following cases:-
  - (i) Removal of any mineral not included in the licence
  - (ii) Removal of any ore after the expiry of determination of the licence (including renewals).
  - (iii) Any clearance of ore (Other than gold, silver and mica) for commercial purposes.
  - (iv) Any clearance of ore (other than gold, silver and mica) in excess of the limits prescribed for removal on payment of royalty, even if they are removed for non-commercial purposes.
  - (v) Any clearance of mica in excess of 10 tonnes.
- (o) Whether, in the cases where royalty is recoverable, the determination of quantities, grades and application of rates is properly made.
- (p) Whether action has been taken to issue promptly the notice of one month on expiry or determination of the licence or abandonment of the operation to remove all property on the licence area and on failure to comply proper action taken for disposal of the left over properties.

- (q) In the case of any proposal for transfer of the licence, whether such transfer was approved by Government (Central Government where necessary) on payment of the prescribed fee.
- (r) Whether the transferee has been allowed (wrongly) any right in respect of the licence so transferred in excess of the transferor i.e. the period of licence/renewal is the balance period only of the original licensee and the ore removal free or on payment of royalty by the transferors and the transferee put together, do not exceed the prescribed limits.
- (s) Except where a lease has been granted to the licensee, whether the licensee has restored the surface area, after expiry of determination of licence, failing which suitable compensation has been assessed and recovered.

### **7.7.2 Audit of licence/lease deeds:**

The Scrutiny of the licence/lease deeds executed should be conducted in the Mining circle office where they are filled. Such scrutiny by audit should cover the following points.

- (i) Whether the deed was preceded by a sanction order of Government not revoked by governing in the meantime
- (ii) Whether the deed was executed within the prescribed period of 3 months/6 months of the date of communication of the order of grant or renewal. Otherwise was it preceded by an order of Government extending the time limit
- (iii) Whether the delay in execution of the deed was due to any default of the party and whether extension was recommended and granted despite this fact
- (iv) Whether the deed is in the prescribed form i.e. Form F or K as the case may be and every deviation there from was justified and approved by government.
- (v) Whether the deed is accompanied by a detailed map of the area with accurate boundaries described in sufficient detail together with the schedule of land
- (vi) Whether prescribed amount of security deposit (Rs.10,000/- for M.L. and Rs.2500/- for P.L.) has been deposited in the postal Savings Account, pledged in favour of the Collector prior to such execution of the deed.  
(Rule 32 – G.S.R. 56(E) Dt. 17.1.2000)  
(Rule 20 – G.S.R. 21(E) Dt. 11.1.2002)
- (vii) In the case of sub-leases, whether such sub-leases are also specially approved by the State Government and do not contain any provisions conferring rights on the sub-leases in addition to those in the main lease.
- (viii) Whether the deed has been prepared in actual worth of stamp paper as computed on the basis of royalty derived from the average annual production of mineral.

- (ix) Whether the annual average production of mineral has been taken into account for computation of royalty from the production figure reflected by the lessee in the mining plan duly approved by the I.B.M/State Government. (Section 5, Rule 22).

## CHAPTER – VIII

### **Mineral Revenue**

During 2000-01 the mineral revenue realized in the State, both for major and minor minerals was Rs.1229.78 Lakhs whereas during the year 2015-16 it has reached to the tune of Rs.579896.00 Lakhs. Similarly, during the corresponding period production raised from 15.282 million tone to 239.64 million ton. It is expected that with the continuous increase efforts in respect of geological surveys and mineral exploration in the State, there would be increase in mineral revenue.

Assessment of Mining dues are made by the Deputy Director of Mines/Mining officer concerned, at prescribed intervals, in respect of royalty, dead rent, surface rent and other dues. All such dues are payable by the lessee without any deduction.

#### **8.1 Mineral Receipts and Assessment of royalty:**

Mineral receipts include Royalty, Dead Rent, Surface Rent and Cesses, Interest for late payment, application fees, Security Deposits etc.

**Royalty:** In accordance with the provisions of section 9 of the Mines and Minerals (Regulation and Development) Act, 1957 royalty is payable for the quantity of minerals removed from the lease area or consumed by the lessee except to the extent of coal consumed by a colliery workmen to the extent of 1/3<sup>rd</sup> tonne per month per head. Royalty is also payable by a holder of a prospecting licence, in respect of ore removed by him under certain circumstances. Rates of Royalty varies from mineral to mineral and can be enhanced or reduced by Central Government in case of major minerals once in 3 years as per section 9 A (2) of MM (DR) Act 1957 and by State Government in case of minor minerals as per section 15 (3) of the MM (DR) Act 1957. (Schedule – II of MM (DR) Act 1957 and schedule of minor mineral rules). For major minerals royalty is payable in advance for each quarter ending i.e. March, June, October and December of each year. The amount of advance payment of royalty for each month is decided by the DDM/MO on the basis of performance of each mine in last 3 quarters and amount thus fixed for advance payment of royalty is later on adjusted on the quantity of mineral/ore produced in that quarter. Fresh advance for next month is then taken on the basis of adjustment in the previous quarter (Rates of royalty of Major Minerals are given in **Annexure-V**).

For the purpose of assessment of royalty on ore removed or consumed, the quantity, grade and rate of royalty then current are to be determined. The quantity of ore raised and removed or consumed is initially recorded by the lessee in the accounts kept by him at the mine site. The ore raised is dressed and arranged in convenient stack by the lessee as may be directed by the Mining Officer/Deputy Director of Mines. The lessee also should get the mineral content of the stacks analysed by a recognized laboratory.

On the basis of the approximate quantity in the stacks and the grading as per the analysis obtained, the lessee, then applied to the Mining Officer/Deputy Director Mines in Form “A” of the Transit Pass Regulation, 1973, to permit removal of the ore so stacked. The

Senior Inspector of Mines conducts a spot check of the stacks and submits verification report to the D.D.M./Mining Officer within seven days. In the case of marginal grades of those where visual examination suggests a different grade than appearing in the application, the Sr. Inspector of Mines and the lessee take joint sample for analysis by the nearest Government Analytical laboratory the results of which would be treated as binding on all. No analysis, is however, needed where the royalty rate is same for all grades or where the lessee declares the ore to be of the highest grade.

## **8.2 Assessment Procedure and Mineral Revenue**

### **8.2.1 How Assessment is done:**

(a) The assessment of royalty is made quarterly. On the basis of quantities reported in the monthly returns of the lessee, the check gate reports, check of initial accounts of the lessee and any other cross check exercised by the Mining Officer/Deputy Director Mines, and the grade of ore reported by the lessee or the departmental laboratory, the royalty payable is assessed by the Mining Officer/Deputy Director Mines taking into account the rates specified in the Second Schedule to the Act. In case of advalorem rate of royalty, the sale price of the minerals published by the India Bureau of Mines (IBM) in their monthly bulletin is taken into account. In case, the analysis report is received subsequently, the differential royalty, if any on that basis is recalculated.

### **8.2.2 Cross Checks:**

On receipt of the monthly return from the lessee, the quantity of Minerals shown as dispatched from the mine are verified with reference to the figures submitted by the Senior Inspector of Mines. The despatch of the minerals are also verified with reference to the railway Receipt figures in respect of despatches of ores by Rail and with reference to the transit passes in so far as despatch of ores by Road is concerned.

In the case of supply of minerals to steel plants/cement plants etc. by the lessees, the buyers' figures are occasionally verified by the Department. This will act as a cross check over and above the checks exercised by the Deputy Director Mines/Mining Officers.

### **8.2.3 Demand Notice:**

After the assessment order is passed by the Deputy Director of Mines/Mining Officer, a demand notice is sent to the lessee demanding payment of royalty within 15 days from the date of issue of assessment order, as laid down in Government of Odisha, Mining and Geology Department Notification No.-7430 dated the 9 August 1974. This demand is noted in the appropriate columns of Demand, Collection and Balance Register (or in Form-26 mines). Amounts already paid are deducted at the time of assessment. A demand notice for net amount payable is issued which includes other dues, like differential royalty, surface rent etc.

#### 8.2.4 Ex-parte assessment:

When the lessee does not submit the monthly returns within the prescribed time, the Mining Officer/Deputy Director Mines, issues a demand notice on the basis of the information available in his office.

### 8.3 Dead Rent:

The holder of a mining lease whether granted before or after the commencement of the Mines and Minerals (Regulation and Development) Amendment Act. 1972 (56 of 1972) shall notwithstanding anything contained in the instrument of lease or in any other law for the time being in force pay to the State Government every year, dead rent at such rate as may be specified for the time being in the third schedule to the Act.

Provided that where the holder of such mining lease becomes liable under Section 9 to pay royalty for any mineral removed or consumed by him or by his agent, manager, employee, Contractor or sub-lessee from the leased area, he shall be liable to pay either such royalty or the dead rent in respect of that area, whichever is greater.

The Central Government may, by notification in the official Gazette, amend the third schedule mentioned above so as to enhance or reduce the rate at which the dead rent shall be payable in respect of any area covered by a mining lease and such enhancement and reduction shall take effect from such date as may be specified in the notification.

Provided that the Central Government shall not enhance the rate of the dead rent in respect of any such area more than once during any period of three years. (Section-9A)

Thus, the lessee shall pay, for every year, except the first year of lease, such yearly dead rent at the rates specified in the third schedule and if the lease permits the working of more than one mineral in the same area the State Government shall not charge separate dead rent in respect of each mineral.

Provided that the lessee shall be liable to pay the dead rent or royalty in respect of each mineral whichever is higher in amount but not both. {Rule 27(1)(c)}.

After completion of one year from the date of execution of the lease deed, a demand for dead rent is raised. The calculations for dead rent are to be made every half year, that is, for the period from January to June payable on or before 15<sup>th</sup> January and for the period from July to December, payable on or before the 15<sup>th</sup> July each year.

In respect of both working and non working mines the demand notice for the dead rent is issued sufficiently early asking the lessee to pay the amount specified in the demand notice on the due-date. In so far as non-working mines are concerned the demand for dead rent will remain as such and it is pursued till it is finally paid by the lessee. In the case of working mines the dead rent paid on the due dates is adjusted at the time of issue of the demand notice for royalty as the lessee is to pay the dead rent or royalty whichever is higher. The revised rate of Surface Rent for minerals is given in **Annexure – VII**.

As soon as the demand for dead rent is issued, it is noted in the DCB Register in the appropriate column. Raising of the demand for dead rent and its realisation is watched through the assessment file of the concerned mine and the DCB Register.

#### **8.4 Surface Rent and Water rates:-**

The lessee shall pay, for the surface area used by him for the purpose of mining operations, surface rent to be paid each year and water rate at such rate not exceeding the land revenue as specified by the State Government in the lease. {Rule 27(1)(d)}.

(a) Surface rent, as specified in the lease deed is payable by the lessee, for the surface area used under Collector's authority excluding public ways. This rent is calculated in terms of notification no. VIII(A)-M.G, 85/83-1232/MG dated 30.1.84, issued under Rule 27(1)(d) of Mineral Concession Rules which is enclosed to the manual.

(b) Water rates in respect of the surface area are also to be specified in lease deed, ordinarily at rates applicable to industrial water rates in the Irrigation Act, 1959 in case of supply of water from Irrigation works.

#### **8.5 Interest:**

Levy of interest on outstanding mining dues at the rate of 24% w.e.f. 1.4.1991 vide GSR 197 (E) dated 7.4.91 per annum on all mining dues (excepting revision fee payable to the Central Government under sub-Rule (1) of Rule 54) calculated from the sixteenth day of the expiry of the date fixed by that Government for payment of such dues. A notice for recovery of interest can be issued only after recovery of the main dues. It is therefore essential that demands for interest are issued in all cases where the arrear dues on account of mining revenue have been fully paid. Interest should also be calculated in respect of arrear dues up to the date of filing the certificate cases where certificate requisition is taken recourse to.

#### **8.6 Place of payment when mining dues become payable:**

The application fees are payable along with the application for grant of prospecting licence, mining lease or renewal thereof. The prospecting fees of dead rents and surface rents are payable in advance. Rule 64 of the Mineral Concession Rules, 1960 provides that any amount payable under the Act or the Rules shall be paid in such manner as the State Government may specify in this behalf. According to the existing orders the dues are payable at the treasury of the district in which the claim arises.

#### **8.7 Recovery of Arrears of Mining Revenue:**

Section 25 of the Mines and Minerals (Regulation and Development) Act 1957 provides for the recovery of any arrears of rent, royalty, fee, interest or other such dues to Government under the Act or the Mineral Concession Rules 1960, or licence/lease in the same manner as if it were an arrears of land revenue, i.e. through certificate proceedings under the Odisha Public Demand Recovery Act, 1962.

**8.8 Audit Checks:** -The procedure of raising and pursuance of demand, collection and accounting of Mining Revenue should be test checked in audit as indicated below to the extent prescribed: -

- a) Whether all demands arising out of assessments of royalty and other dues correctly entered in the D.C.B Register.
- b) Demand notices have been issued to the parties promptly.
- c) Challans showing payment of dues noted in the daily receipt register.
- d) All such challans traceable in the treasury accounts.
- e) Department checks all receipts with the treasury records.
- f) Demands not paid up pursued properly and regular notices issued for recovery thereof.
- g) Action taken to determine the lease and forfeit the security deposit, where justified, for such non-payment of dues or other breaches of the agreement?
- h) Action taken to levy suitable penalties for repeated delays in payment of demands.
- i) Requisition for certificate cases filed in proper time in cases of non-payment of dues within reasonable time, are such certificates complete, both in regard to the amount due as well as the requirements as to property statements etc., are the certificate cases pursued vigorously. Certificate cases dropped by the Certificate Officer if so, is there any omission on the part of the Mining Officer/Deputy Director Mines?
- j) Any cases proposed for write off, if so, the circumstances leading to such proposals should be examined critically

**8.9 Other Rights and Liabilities of a Mining Lessee:-**

Apart from the liability to pay rents and royalties, the rights and liabilities of mining lessee having financial significance are as under:-

- (a) The lease allows him to work, win and carry away only the mineral covered by the lease (Clause 1 of part-II of the lease deed). This does not allow him or a sub-lessee to remove any other minerals not so specified or any minor minerals.
- (b) Clause 6 of Part II of the lease deed allows a lessee to use water from any natural stream or course, directly or by bonding for or in connection with any of the purposes mentioned in part II of the lease deed subject to specified conditions. This clearly excludes the use of such water for sale or other commercial purposes not connected with the mining operations in the demised land.
- (c) Clause 9 of part-II of the lease deed permits the lessee to fell and utilise any trees or timber standing or found on the leased lands for or in connection with any of the purposes mentioned in part-II of the lease deed and on payment of compensation at rates specified by

the Collector. Here too the use of the timber for other purposes is prohibited. The compensation is fixed by the Collector on the advice of the Divisional Forest Officer.

(d) Clause 2 of part VII of the lease deed requires the lessee to erect and maintain boundary pillars for proper location of the leased areas. The absence of these give considerable scope to the lessee to operate adjoining areas where boundaries are blurred.

(e) Clause 10 of part VII of the lease deed requires the lessee to keep proper accounts of minerals raised, removed, sold or otherwise disposed of and the price thereof and the person employed, and other prescribed particulars. These are important for determining the royalties and rents and the coal allowance to workmen.

(f) Clause 13 or 14 *ibid* requires him to keep and maintain proper weighing machines and allow them to be periodically inspected by the Department.

(g) Clause 5 and 6 of part IX of the lease deed require the lessee to remove within six calendar months after the expiry or termination of the lease, all machineries, plants, buildings, structures, tramways, railways and other works of erections and conveniences. If these or any other property leased areas are not so removed within one calendar month of a notice issued by the Government after the said six calendar months such property would be deemed to become the property of Government and can be disposed of by them without payment of any compensation to the lessee. It is important to note here that term "other property" referred to above would include all ore raised but not removed within the prescribed period of six months.

(h) Penalty for breach of conditions of the lease deed is forfeiture of security deposit and termination of the lease after 60 days notice but for persistent breaches penalty equal to twice the dead rent can be levied without any further notice and without terminating the lease as provided in para 3 of part IX of model lease deed.

## CHAPTER - IX

### **Refunds/Returns/Revisions**

#### **9.1 Revision:**

Section 30 of the Act empowers the Central Government to revise any decision of the State Government either suo-motto or on an application made by the aggrieved party. Under Rule 54 of the Mineral Concession Rules 1960 an application for revision should be made within 3 months of the date of communication of such order together with a fee of Rs 500/- (w.e.f. 22.9.1986) to the credit of the Central Government. The period of three months can be extended by the Central Government.

While examining the cases of grant, renewal or other matters relating to mineral concession in the files of the State Government, Director of Mining & Geology or the Mining Officers, cases of revision by the Central Government, that might have arisen, should be examined. Such scrutiny should cover the following aspects:-

- (i) Whether in all cases where the mineral concession ultimately granted would have required revision orders of the Central Government under Section 30 of the Act, and such orders were actually being obtained and available on record;
- (ii) Whether in the cases referred to in (i) above and in every other case of revision coming to notice, the applicant and not the State Government has applied for revision. If the State Government has itself moved for a suo-motto revision it would involve a loss of revision fee and the justification for such action should be examined.
- (iii) Whether in all cases of revision on application, there is indication of payment of the prescribed revision fee to credit of the Central Government;
- (iv) Whether the time limits, restrictions or other conditions imposed by the Central Government in the revision orders have been kept or observed by the State Government;
- (v) Whether the order of revision, is within the ambit of powers of the Central Government as regards the period or other prescriptions of law.

#### **9.2 Relaxation:**

Section 31 of the Act gives wide powers to the Central Government to authorise relaxation of any Rules applicable to the grant, renewal or transfer of a licence or lease or the working thereof. No such deviation can be ordered which would be against any provisions of the Act itself unless such power is vested in that Government in the relevant provisions of the Act.

### **9.3 Refunds:**

Refunds of mining revenue arise in the following cases:-

- i) Security deposit on expiry of determination of a licence of lease; (R.P, P.L & M.L)
- ii) Unspent balance of preliminary expenses paid in connection with a mining lease;
- iii) Any amounts prospecting fee, royalty, dead rent, surface or water rent, forest compensation or other fees or dues excess paid in advertence or other reasons; and
- iv) Fines or penalties waived.

No specific time limit has been prescribed under the Act or the Rules for making an application for refund. Accordingly all such refunds would be governed by the Central law of limitation.

### **9.4 Audit Checks:**

In the audit of refunds it should be seen:-

- (a) Whether, in fact, there was a payment or excess payment actually credited to Government account earlier, which is now to be refunded;
- (b) In the case of refund of application fee, whether the application has been formally refused or deemed to have been refused and the party has not applied to the Central Government for revision (unless the Central Government has also rejected the revision petition) and no refund is made after grant even if the deed is not signed in time and consequently the grant is revoked;
- (c) In the cases in (b) above, whether, the refund has been sanctioned by Government;
- (d) Whether in all cases the amount to be refunded has been correctly calculated;
- (e) All such refunds made by adjustment of other dues on cash payment through bills have been noted against the initial record of original receipt under proper attestation;
- (f) All refund payments made by treasury in the months selected are checked with the authorizations issued by the Mining Office;
- (g) In the case of refund of security deposit, whether the party has paid up all mining dues and the balance only is refunded after adjusting such dues and penalties levied.

## **CHAPTER - X**

### **Maintenance of Records and Registers and Submission of Reports and Returns**

The following records and registers are kept in the Mining Circle offices, the examination of which should be conducted as is indicated below:-

#### **10.1.1 Register of Demand and Collection of Mining Revenue-**

This is a permanent register with running entries for a period of not less than 20 years basing on the period of each individual lease. It contains lessee-wise particulars of the demands raised during a financial year, amount collected during the year with particulars of challan nos. etc. A review of this register should be conducted to see that-

- (i) the register is complete and records accounts all subsisting leases and pending demands of expired or determined leases;
- (ii) all demands of royalty, dead rent, etc. are promptly and correctly noted;
- (iii) all realisations are noted correctly and such notings of collections are traceable in the Daily Collection Register;
- (iv) proper action is taken to levy interest and penalties for delayed payments;
- (v) in cases of non-payment, action is considered to determine the lease, where necessary;
- (vi) all outstanding demands are properly pursued and notified for recovery through certificate process;
- (vii) all old outstanding demands are examined for reasons of pendency.

#### **10.1.2 Register of Daily Receipts-**

This register contains particulars of all mining revenue realised. It is maintained month wise and the dates of payment with the name of the treasury are noted against each credit. The entries in the register are to be checked in audit to see that-

- (i) the figures of collection are monthly checked by the department with the treasury records and consolidated treasury receipt and a certificate of the treasury obtained in column-22;
- (ii) the amount noted in the challans are traced in this register and conversely all entries are supported by challans;
- (iii) the entries in this register are traced to the corresponding entries in D.C Resister;
- (iv) the amounts shown as collected are verified with reference to the treasury records (for the selected months) to ensure accuracy of the amounts shown as realised/remitted into the treasury.

### **10.1.3 Register of Raising and Despatch:-**

It contains figures of raising and removal of ores by the lessees and is posted from the monthly returns, submitted by the lessees.

**10.1.4 Surface Rent Register:** This register contains lessee-wise details of area actually occupied for surface operations, the no. and date of the letter in which surface permission was granted by the Collector. The entries in the register are to be checked to see that -

- (i) it is complete and covers all existing lessees;
- (ii) the actual area permitted is correctly recorded;
- (iii) the date of permission is correctly recorded;
- (iv) all further areas permitted are added up and the dates thereof are also noted correctly; and
- (v) demands for surface rent are correctly computed on the basis of these entries and issued promptly for realisation.

### **10.1.5 Register of Mining leases:-**

This register is maintained to record all leases granted within the Mining Circle Office. It should be seen in audit that all lease deeds are available with reference to this register and a demand for royalty or rents for all the leases entered therein is noted in the D.C Register, irrespective of the fact that the mine is working or not and the register records all leases actually entered into.

### **10.1.6 Register of analysis:-**

The register contains a record of joint samples taken for ore wise analysis of the minerals sent to the Government analytical laboratories. The grade or ore as per the report of the lessee as well as the grade as per the final analysis report of the laboratory are noted in the register for calculation and recovery of differential royalty, if any. The examination of the register will be confined to see whether:-

- (i) all cases of extraction of joint samples as per the stock removal permission given by the Mining Officer, have been duly entered therein;
- (ii) these samples have been sent to the laboratory promptly and their receipt back is watched;
- (iii) these results of final analysis reports of the laboratory are correctly noted;
- (iv) on the basis of such final analysis, differential royalty is correctly worked out demanded.

**10.1.7 Register of Transit Passes:-**

- (i) All the books received from the press have correctly recorded as receipts;
- (ii) The issue of books are properly acknowledged by the lessees and noted in the register;
- (iii) The issue of books to lessees are made only after recovery of the cost of the books;
- (iv) Some of the used transit pass foils received back in the office are correlated with the book numbers;
- (v) The closing stock is physically verified and found correct.

**10.1.8 Register of Refunds:**

This register contains cases where refunds of revenue have been made.

**10.1.9 Register of Bank Drafts:**

According to the conditions of lease deeds, the lessee is required to pay the rents and royalties to Government on the dates prescribed. The lessees who are remaining outside the state or outside the districts in which the Mining Circle Office is situated, discharge the liabilities through bank drafts obtained in favour of the Mining Officer concerned. These bank drafts are credited to Government by presenting a Challan for each Bank Draft.

It should be seen in audit that all bank drafts received are invariably entered in this register under proper authorization and promptly credited into Government treasury and there is no delay in taking such action on the part of the Mining Officer.

**10.1.10 Register of Application for Grant of Prospecting Licences:**

This register contains the particulars relating to the applicant, name of the area with mineral applied for, the date of submission of the application and the date of grant of prospecting licences. The register is posted chronologically duly assigning a serial number to each application entered. A general review of the register should be conducted to see that:-

- (i) there is no delay in processing of the applications;
- (ii) prospecting licence deeds are executed in time in respect of cases where orders for grant of prospecting licences were issued by Government.

**10.1.11 Register of Applications for Grant of Mining Leases:-**

This register is maintained on the same lines as that of a register of prospecting licences. A general review of this register is required to be conducted on the same lines.

### **10.1.12 Register of Prospecting Licences:-**

This register contains a complete list of all prospecting licences executed in respect of areas within the jurisdiction of the Mining Circle Office. This register should be examined on the following lines:-

- (i) That demand for licence fee is raised in respect of all licences,
- (ii) A comparison of the entries of this register with that of the DCB Register would reveal escapement of assessment;
- (iii) The entries in this register should be tallied with some of the prospecting licence deeds to ensure its completeness.

## **10.2 Reports and Returns**

### **10.2.1 Weigh-bridge Reports:-**

The weekly/monthly reports submitted by the Inspector-in-charge of the weigh-bridge contain information on the actual transport of minerals together with net weight/gross weight/tare weight with quantity, grade and kind of mineral. The following points should be seen during the general scrutiny of the register:-

- (i) that the quantity and grade of the mineral transported is in accordance with the stock removal permission issued by the Mining Officer;
- (ii) that the quantities shown in the weigh-bridge reports tally with the quantities of minerals shown as removed from the mine in the returns submitted by the lessee.

### **10.2.2 Half yearly verification reports:-**

After inspection of the mines at the end of the half-year a report in the prescribed form on the results of inspection of the mines and the books of accounts of the lessee is prepared by the mining Officer and submitted to the Director of Mines. The Mining Officer/Deputy Director of Mines should inspect all the mines within his jurisdiction and prepare a report for each mine.

The essential information it contains is the quantity/grade of ore removed from the mine. These reports should be examined on following points:-

- (i) Half-yearly inspection is invariably conducted in respect of all mines;
- (ii) The quantity of ore shown as removed tallies with the monthly returns submitted by the lessee;
- (iii) The figures contained in the register of raising and despatch tally with those record in the half-yearly report.

**10.2.3 Audit Checks:**

A test check of entries made in all the registers maintained in the Mining Circle offices should be made to see that there are no irregularities in assessment, collection and adjustment of mining revenue due to improper maintenance or non-maintenance of the Registers.

## CHAPTER - XI

### Grant of trading licence and its renewal

#### **Application for grant of licence:-**

(1) Any person who intends to procure, possess, store, sell, trade in, consume or otherwise deal with any mineral shall make application for a Trading Licence for each mineral in Form A. In case he applies for grant of trading licence for storing and trading or storing and consuming any mineral whose source of procurements are not in the jurisdiction of the competent authority, he shall submit a copy of valid procurement licence. The application shall be submitted in duplicate to the Competent Authority under whose jurisdiction the applicant carries business or the source of mineral from which he intends to procure is located.

- (2) Every application made under sub-rule (1) shall be accompanied by;
- (i) The original Challan for the non-refundable fee as prescribed under sub-rule (2) deposited under proper Head of Account “0853 –Non-Ferrous Mining and Metallurgical Industries –102 –Mineral Concession Fees, Rents and Royalties”.
  - (ii) An attested copy of Nationality Certificate or the Photo Identity Card issued by the Election Commission of India or valid Indian Passport or permanent resident certificate issued by revenue authority in support of his nationality;
  - (iii) An attested copy of the annual income tax return for the preceding assessment year or an affidavit that up-to-date income tax return as prescribed under the Income Tax Act, 1961 has been filed and that the tax due including the tax on account of self assessment has been paid;
  - (iv) An attested copy of the Value Added Tax (VAT) clearance certificate;
  - (v) An affidavit to the effect that the applicant has not been convicted in any Court of Law in any case relating to theft or smuggling or illegal mining, or illegal transporting or illegal storage of minerals;
  - (vi) An attested copy of the certificate or order issued by the appropriate authority on establishment of factory or beneficiation plant or lapidary unit, if any; and
  - (vii) An attested copy of the valid clearance certificate of mining dues payable under the Act or Rules made thereunder issued by the Director of Mines, Odisha.

On receipt of application complete in all respect for trading licence or its renewal, the Competent Authority shall acknowledge the receipt in Form “B”. He shall verify the bona fides of the applicant after conducting enquiry and furnish a report within 15 days with specific views on grant of licence.

**11.1 Disposal of application for licence:** After due enquiry, the Competent Authority shall either grant a trading licence to the applicant on the condition specified in Rule 7 for a period not exceeding two years at a time, for a mineral or refuse to grant the trading licence

as he considers fit. In case he decides to grant the trading licence, he shall communicate the terms and conditions governing grant of such licence to the applicant for his acceptance. The applicant shall intimate about the acceptance of terms and conditions within seven days from the date of receipt of communication. The Competent Authority shall grant the trading licence in Form D or refuse the same with reasons to be recorded in writing within one month from the date of receipt of the application. Order of refusal to grant shall be communicated to the applicant recording reasons therefore by registered post with acknowledgement.

**11.2 Conditions for grant of trading licence:** The licence shall be granted in Form D subject to the following conditions: -

(i) The licensee shall deposit the required fee for minerals listed in the Part “B” and Part “C” of the First Schedule to the Act and semi-precious stones in shape of National Savings Certificate duly pledged in favour of the Competent Authority or deposit receipts of Schedule Banks/ Regional Rural Banks or in any other manner as prescribed by Government from time to time for the due observance of terms and conditions of the licence:

Provided that in the event of cancellation of the licence on account of breach of the terms and conditions, the security deposit as well as the interest accrued thereon shall be forfeited.

(ii) The licensee shall maintain a correct and intelligible account of minerals procured and transported daily to different destinations in the format prescribed in Form E;

(iii) In case of beneficiation plant or lapidary unit of factory, the licensee will maintain a separate daily account of the minerals procured and fed to the factory or processing plant or lapidary unit and the processed minerals recovered and transported in Form F;

(iv) The licensee shall submit the monthly return in Form E and F, as the case may be, of the accounts maintained under clause (ii) and (iii) respectively for every month within the first week of the succeeding month to the Competent Authority;

(v) All the reports, returns and registers shall be maintained by the licensee and kept in the place of business and be made available to the inspecting officer;

(vi) While removing the mineral from the store or factory or lapidary unit or beneficiation plant, he shall obtain permission from the concerned Competent Authority and transport the material under prescribed transit pass in Form G obtained from the Competent Authority.

(vii) The licensee shall not pollute the environment by storing the minerals or while utilizing them in the processing plant or beneficiation plant or the factory and obtain no objection certificate from Odisha State Pollution Control Board to that effect.

(viii) The licensee shall allow the Inspecting Officers of the Directorate of Mines to inspect the store, factory, processing plant, beneficiation plant and lapidary unit to verify the stock of minerals and to take samples and extract of records;

(ix) The Competent Authority may impose such further condition as may be necessary in the interest of the public.

### **11.3 Renewal of licence:**

(1) The licence can be renewed further for not more than two years on application in Form A1 accompanied with the fee and documents prescribed in Rule 4 before ninety days of expiry of the existing licence to the Competent Authority, who will process it in the same manner as prescribed for the original licence.

(2) In case the renewal of licence is granted, the security money already deposited by the licensee, if valid, shall be accounted for as the security deposit for the renewal of licence.

(3) The period of renewal of licence shall commence from the date of the expiry of the licence under renewal.

**11.4 Rescission of Licence:** The competent Authority may, at any time during the tenure of licence, suspend the licence for breach of any of the terms and conditions of the licence. Before cancellation of the licence, the licensee will be served a show-cause-notice. If the Competent Authority is satisfied with the explanation, he may withdraw the order of such suspension and allow the licensee to carry on his business. Otherwise, the Competent Authority, after giving an opportunity of being heard to the licensee, cancel the licence by an order in writing communicated to the licensee and also shall forfeit the security deposit alongwith the interest accrued thereon the Government.

### **11.5 Transport of the minerals:-**

(1) Any person who wishes to transport or remove any mineral from any place, shall make an application complete in all respect in Form H in duplicate to the Competent Authority for issue of a permit.

### **11.6 Appeal**

1) Any person aggrieved by an order of the competent authority made under sub-Section (3) of Section 6 read with sub Rule (2) of Rule 5, Section 7, Section 8(3) read with Rule 11 of Section 9, may within sixty days from the date of communication of the relevant order, prefer an appeal in Form-K to the appellate authority appointed by the Government under Section 10.

3) The appeal shall be disposed of by the appellate authority within a period of two months from the date of its filing {Rule 13}.

### **11.7 Compounding of offence:**

(i) On receipt of written application from the accused person competent authority may in exercise of its power under Section 15 compound the offence punishable under the Act, either before or after institution of the prosecution. After the offence is compounded and the accused person pays the amount determined by the competent authority, the accused person if is not interested to pay for the property or the competent authority is of the opinion that

such property should not be released in favour of the accused, he shall compound the offence only and take charge of the seized property and dispose it of by auction. {Rule-14}.

(ii) The competent authority shall maintain a register in his office in form 'M' mentioning therein the details of every offence compounded by him under these Rules. {Rule-15}.

(i) All sums collected by compounding the offence shall be deposited under the head of account as mentioned in sub-Rule (2) of Rule-3 {Rule-16}

### **11.8 Audit Checks:**

It should be seen in audit whether

- 1) Required application fee in respect of all categories of requisitioned items have been collected and duly pledged to the competent Authority for observance of the terms and conditions of the licence, where-ever necessary. {Rule 6(1)}{Rule 3 (2)}
- 2) Whether the rest amount has been refunded after deduction of Rs 500/- towards application fee in case of refusal/rejection of application for licence. {Rule 5(2)}
- 3) Whether the licence/permit has been granted or rejected within the prescribed time limit.

## **CHAPTER - XII**

### **Assessment of Stamp Duty on mining lease**

For execution of a Mining lease between the lessee and the Collector of the District concerned, stamp duty is leviable under the Indian Stamp Act, 1899. In accordance with the instructions issued by the Board of Revenue in their letter No.-1775/57 dated the 1<sup>st</sup> June 1963 read with G.S.R. 888 dated 22.9.1986, the following items are taken into account for valuation of stamp duty assessable:-

- i. Preliminary expenses
- ii. Security deposit
- iii. Surface rent (for the entire)
- iv. Dead rent or royalty whichever is higher

There is no difficulty for assessing stamp duty in respect of items (i) to (iii) above as the rates are fixed but difficulty arises in respect of item (iv) since the quantities of minerals to be raised from the area is not known at the time of execution. Government in the Mining and Geology Department letter No.1929 M.G dated the 6<sup>th</sup> February 1979 decided that the Mining Officers in charge of the circle, while conducting technical enquiry in respect of the area should make a realistic assessment of the potentiality of the area applied for grant of a mining lease and check the quantity of expected annual production mentioned by the applicant in the application for mining lease in relation to the potentiality of the area and environmental conditions including production in the neighboring mine in operation and should categorically furnish the annual anticipated production and dispatch of minerals from the area applied for both in quantitative and qualitative terms in the technical enquiry report. The technical enquiry report of the Mining Officer/Deputy Director of Mines concerned is a pre-requisite for the purpose of consideration of an application for grant of a Mining lease.

The declaration made by the Mining Officer/Deputy Director of Mines in his technical enquiry report should form the basis of calculation of anticipated royalty, for the purpose of calculation of stamp duty.

Cases of non-levy and short levy of stamp duty on lease deeds and renewal deeds should be seen by inspection parties and suitably commented upon in the Draft Inspected Report. A revision in the Indian Stamp (Odisha Amendment) Act 2013 is given below.

## **12.1 Payment of stamp duty by the lessees of mining leases as per the provisions of the Indian Stamp (Odisha Amendment) Act 2013.**

According to copy of letter No. 19876/R&DM dated 25.05.2013 from Principal Secretary to Government, Revenue & Disaster Management Department to all the Collectors it is stated that regarding the Stamp Duty chargeable on the instruments of grant or renewal of mining lease has been revised on coming into force of the Indian Stamp (Odisha Amendment) Act 2013 w.e.f May 10, 2013.

1. As per provisions of Sub Section (1) of Section 3A inserted to the Indian Stamp Act, 1999, the stamp duty payable on every instrument of grant or renewal of mining lease shall be equivalent to fifteen per centum of the amount of average royalty that would accrue out of the highest annual extraction of minerals permitted under the approved mining plan or mining scheme, as the case may be for such mining lease under the provisions of the Mines and Minerals (Development and Regulation) Act 1957 and the rules made there under in force, multiplied for the period of such mining lease. As provided in the explanation to sub Section (1) of Sub Section 3A so inserted for the purpose of this sub section, the average royalty of the highest grade of minerals based on the data available for the past twelve months prior to the date on which stamp duty becomes payable beginning from the date of commencement of the amendment Act shall be taken into consideration.
2. However, as per the first provision to the said sub-section (1), where an application for renewal of the mining lease has been made prior to the expiry of the mining lease, but renewal of the lease has not been granted by the State Government or the mining lease is deemed to have been extended by a further period in accordance with the provisions contained in the relevant law in force, till the State Government passes an order prior to the commencement of the India Stamp (Odisha Amendment ) Act 2013, the sum total of the quantity of mineral permitted for extraction year-wise, in the approved mining plan or mining scheme, as the case may be, or the actual quantity raised, whichever is higher, shall be taken into consideration for calculation of the stamp duty.
3. It is further provided vide second proviso to the aforesaid sub-section that in case the production level is enhanced on account of subsequent modification or review of the mining plan, the stamp duty shall be re-assessed on the enhanced production level for the remaining lease period and the lessee shall deposit the differential stamp duty before such commencement is carried out by him.
4. The fourth proviso to the aforesaid sub section provided that where the lessee is prohibited from undertaking the extraction of minerals for a temporary period for reasons of any operation of law, court orders passed or any order issued under any law for the time being in force and the reasons of such prohibition are not in any manner attributable to such lessee or his agents, servants, employees or persons claiming through or under such lessee, the stamp duty chargeable shall be equivalent to the amount of the sum total dead rent that would be payable for the mining lease under the relevant law in force for the period of such prohibition.

5. Sub-section (2) of Section 3A provides for payment of stamp duty by the applicant for renewal of a mining lease who has made the application to the State Government prior to the expiry of the lease, but renewal of the lease has not been granted by the State Government or the mining lease is deemed to have been extended as per the provisions contained in the relevant law in force by a further period till the State Government passes an order thereon, or before the date of expiry of the lease or within 60 days of the commencement of the Indian Stamp (Odisha Amendment) Act 2013 whichever is later in the manner as may be prescribed. In other words, such payment shall be made on or before 9<sup>th</sup> July 2013, where the applicant has applied for renewal prior to the expiry of the lease, but renewal of the lease has not been granted by the State Government or the lessee is under deemed extension prior to the coming into force of the amendment Act or such expiry takes place on or after the commencement of the amendment Act but on or before 9<sup>th</sup> July 2013. In cases of renewals covered under this sub section and where the lease expired after 9<sup>th</sup> July 2013 the payment of requisite stamp duty shall be made by the renewal applicant on or before the date of expiry of the lease.

6. In the mean time, the Odisha Stamp Rules 1952 have been amended by the Odisha Stamp (Amendment) rules 2013 by inserting a new rule 11-C which provides the manner of payment of the stamp duty in respect of the mining lease.

## **12.2 Existing Provisions in the department:**

The Circle Senior Mining Officer/Mining Officers while conducting technical enquiry in respect of the area covered by an application for mining lease should make a realistic assessment of the potentiality of the area applied for. They will check up the quantity of expected annual production mentioned by the applicant in their application for mining lease in relation to the potentiality of the area and environmental conditions including production in the neighboring mines in operation and should categorically furnish the annual anticipated production and the despatched of mineral from the area applied for both in quantitative and qualitative terms in the technical enquiry report. The declaration made by the Circle Senior Mining Officers/Mining Officers in his technical enquiry report should form the basis of calculation of anticipated royalty for the purpose of calculating the stamp duty. In respect of the application for mining leases which have already been granted but which are still pending for execution and in respect of which the declaration about annual anticipated production of mineral from the area has not been made by the Senior Mining Officers/Mining Officers in the technical enquiry report at the time of technical enquiry, the concerned Collector will obtain such a declaration from the concerned circle senior Mining Officers/Mining Officers before the execution of such leases in order to arrive at the anticipated royalty figures which shall form the basis for fixation for stamp duty. This procedure should be strictly followed and will take effect from the date of this order. All the pending cases will be governed by the above procedure.

### **Audit Checks:**

- (i) To check whether the realistic assessment has been made of the potentiality of the area applied for by the circle MO/MO/DDM.
- (ii) To check the annual anticipated production and dispatch of minerals both in qualitative & quantitative terms in the technical enquiry report.

- (iii) To check whether correct declaration has been made in the technical enquiry report by MO/DDM that form the basis of anticipated royalty for the purpose of calculation of stamp Duty.
- (iv) To check whether execution of lease deed has been done before operation in the lease area.
- (v) To check cases of non levy and short levy of Stamp duty on lease deed, supplementary lease deed and renewal deeds.

## CHAPTER - XIII

### Security Measures/checks in movement of minerals

#### 13.1.1 Check gates:

*To check the movement of mineral by road from the mine site to the nearest rail head, port, or other areas, check-gates are located at different important places where the mineral transport is heavy. Each check-gate is manned by one clerk and one peon who work under the supervision of the Senior Inspector of Mines. The main function of the check-gate clerk is to verify the transit pass issued to the carrier and to record the T.P. no and weight of the mineral, and the number of truck allowed to pass. The Senior Inspector of Mines is provided with the information regarding the quantity of ores permitted for removal against specific stocks in the Mines site. The Transit passes contain reference to the stock numbers from which the ore has been transported. The posting of figures of removed quantities by the check-gate staff against the permitted stocks quantity enables them to ascertain whether there has been excess removal of ores with or without Transit passes.*

To bring transparency on end-to-end mineral movement & accountability of each stake holders, Odisha Government has been determined to tighten all loose ends in the mining activities. Transparency in this sector is most essential for genuine business to operate. Hence it is required to have end-to-end accountability of mineral, regulate the production, dispatch & self consumption of mineral from Odisha. With this view in end, e-Pass has been designed to simplify the process of issuance of Transit Pass and monitor them effectively using IT tools. The e-Pass is uniquely Bar-coded with 1D & 2D containing specific details of the Mineral Carrying Vehicle which is used for verifying it at the check gates, railway sidings, etc. The e-Pass can be printed by the Lessee/Licensee who has been issued with a valid Permit.

#### 13.1.2 Types of e-Pass Solution

To avoid the complexity, three versions have been designed to accommodate all with strict accountability & tracking Ore from Source to destination.

- **Online Web:** This facility is suitable for Licensee, where adequate infrastructure (Electricity and Internet Connectivity) is available
- **Desktop:** Facility is suitable for Mines, where adequate infrastructure (Electricity, Electronic WB and Internet Connectivity) is available. But one can generate e-Pass upto 4 hours without having internet connectivity.
- **Mobile:** Suitable for both mines and licensee, who does not have adequate infrastructure, but they have to update e Pass utilization in i3MS .

The e-Pass is uniquely identified 1D and 2D Bar-coded dual copy (1. Destination Copy, 2. Check Gate Copy). The 2D Bar-code contains specific details of the Mineral Carrying Vehicle which is used for verifying it at the check gates, railway sidings & as well as en-route.

The e-Pass can be printed only by the Lessee/Licensee who has been issued e-Permit. While generating e pass, the dispatch details gets filled automatically except Carrier Number, Transporter Name & check gate name, which the operator needs to fill.

On confirmation of the operator for generating e Pass, the system will allot a unique e Pass no. and is printed with time stamp.

### 13.2 Security Features

e-Pass cannot be activated to the Lessee/ Licensee until the permit is issued online.

e-Pass cannot be generated based on a unregistered Truck. The Mineral carrying truck details should be available in the database of Mines duly registered in i3MS through validation process. At the mines end at loading point e Pass system has the integration with electronic weigh bridge and there is no human interventions updating tare weigh & gross weight. It has got the facility to auto capture & record the gross weight of trucks.

No. of e-Pass generated is automatically calculated by the IT Tool and cannot allow more to be generated than the amount specified in the permit. The IT tool will automatically assign a unique bar code to the Pass. This can never be duplicated. Watermark will be provided in the pass for avoiding duplicity. Unique 1D & 2D Barcode is provided for verification at check gate and weighbridge.

#### 13.2.1 Security Measures

As this e-Pass will replace the manual pass issue process, it is very much important to look into the security aspect of e-Pass. The Passes contain encrypted data in 2D and 1D barcode that is not possible to decrypt easily. In order to prevent Xerox copies, department has instructed the mines manager to stamp and sign on the passes. Also the barcodes can be read at anytime to know the genuineness of the pass.

When the pass is scanned at the check gate, the entire history of the pass is displayed and the check gate officer can take a call on the details available on the pass against the real fact.

In case there is no access to the server to get real-time data, in that case the 2D barcode can be scanned using specialized application to decrypt the data and get complete information on Pass.

Once every transaction of mineral is made public, the assumption of favoritism, illegal activity and obnoxious figures claimed by a few on account of scams can be seen and judged by all. The system is now planned to be integrated with Indian Railways and State Transport database. As the issuance of permit and pass is one of the most vital & tightly controlled processes laid down by the State Government, **any mistake will have catastrophic results.**

#### 13.2.2. End Destination Confirmation

At Govt. Railway sidings a hand held bar code scanner is provided. This scanner has capability of reading the content of the 2D barcode. If the railway siding has internet connection, the data captured through this device is uploaded in i3MS portal.

### **13.3. Check gate Automation**

#### **13.3.1 Fraud Detection Tool**

Check Gates are informed on computer on the Number of Truck to pass his gate and approximate time that would be required to reach from the Mines. If the Truck enters the check gate late, the checking officer will divert the truck for weight measurement. The normal truck will be passed by reading the Barcode using barcode reader. The Barcode reader can alert on whether the pass is genuine or any tempering has done on it. It also alerts on the number of times the pass has been scanned so that the same pass is not used repeatedly.

#### **13.4 Audit checks:**

It may be scrutinized in audit to see whether;

- The e-Passes are generated online and printed at the mines end leaving no chances of duplicate pass or tempering on the passes generated;
- These passes have been scanned and recorded on the central server at the Check gates;
- Each check gate is equipped with weighing bridge, computer, printer and internet connectivity to access the central server;
- Computer operators are appointed for pass verification;
- Security personnel are also deployed to handle any unwanted scenarios; and
- There is secure wi-fi zone created around the check gate so that the barcode readers can talk to the server in wireless mode.

#### **13.5 Data updation from Railway Siding:**

In regular interval of time, the data stored in the device is transferred to central server. For transferring the data to central server, the system requires minimum bandwidth and time. The output data is also encrypted in nature so that there is no change of tempering the data during transmission. Dumping minerals at the railway siding carriers is to be checked by the check gates. As there is not internet connectivity available at the railway sidings, offline data updating technique has been used to get vehicle movement details at those places. Separate application has been developed for barcode reader to read the 2D barcode and validate whether this is created from I3MS or not. The barcode device decrypts the data and show the information on its screen. Once the barcode scanned, the information is stored in the device itself.

#### **13.6 Weigh Bridges:**

To weigh the minerals by road from the Mine site, departmental weigh bridges are located at certain important places where the mineral despatches are heavy. The weigh bridges are kept in charge of the Senior Inspector of mines assisted by one or two clerks and

a peon and in case of heavy mineral traffic weigh bridges one supervisor is posted. The monthly weigh bridge reports submitted to the respective Mining Officers are required to be consulted for the purpose of check of the actual quantity of ore transported. In respect of minerals/ores/other commodities weighted on these weighing machines, weighment charges are to be recovered from the lessees at such rates as may be fixed from time to time by the State Government.

### **13.7 Analytical Laboratories:**

To determine the mineral content of the ores, for the correct determination of the grade of mineral three Analytical Laboratories have been set up each under the charge of a Deputy Director, Chemical Analysis at Joda, Jajpur Road and Bolangir. The Analytical Laboratories are also to undertake sampling and analysis of ores and minerals of private parties on commercial basis and subject to payment made by them in advance of the rates prescribed for the purposes. Government of Odisha has revised the rates of sampling and analysis charges of the ores and minerals time to time in the Government Analytical Laboratories under the Director of Geology, Odisha. The rates of sampling and analysis charges of different ores and minerals in revised by Government Department of Steel and Mines vide notification No.7983 dt.25.11.2008. In audit the reports of the Joint/Deputy Director, chemical Analysis are to be seen to verify, whether the final assessments have been regulated accordingly.

#### **Audit checks:**

- (i) To check the no. of samples collected and Analysis report furnished.
- (ii) To check whether revised rate of Sampling & Analysis charges of Ores has been assessed properly and collected.
- (iii) Correct analysis report has been furnished basing on the grade of Ores & minerals.
- (iv) To check total revenue demanded collected & balance left on various samplings and their analysis report.
- (v) To see whether the target fixed for sampling & analysis has been achieved during the year.

**CHAPTER – XIV****AUDIT SCRUTINY****14.1 Audit of Mining lease:**

The receipts arising out of the operation of mining leases are security deposit, forest dues, surface rent and dead rents and royalty. The audit of these receipts will be conducted on the lines indicated in the following paragraphs:-

- (a) Whether all orders imposing penalty have been acted upon by debiting the deposit.
- (b) Whether the refund of deposit is made only after effecting recovery of all Government dues under the lease and not later than 12 months of the expiry of determination of the lease.

**14.2 Surface Rent**

- (a) Whether the correct rate of surface rent applied as per lease deed and applied to the area of surface operation and recovered in advance.
- (b) Whether the rate applied on the area actually permitted by the Collector from the date of such permission.
- (c) Whether any area excluded on the ground of public ways without a clear indication of full right of way to the public.
- (d) Whether any surface area used for stacking, dumping of waste minerals, laying of any railways, tram ways, building etc. not specifically included in the area for which rent is being recovered?
- (e) Whether water rate as for industrial use levied on all water supplied by Government to the lessees from an irrigation work.

**14.3 Water Rate**

- (a) Whether water arising out of mining operations or drain from a natural course by pumping or bonding etc. is used solely and exclusively for mining operations and not for supply to other on cost, or to its employees in colony at a profit or used in any operation not directly connected with such mining operations.
- (b) Whether surface soil or other minerals are removed for sale or use in any industry or otherwise than in any operation directly connected with such mining operation;
- (c) Whether in the case of such other use, the cost thereof is properly determined and recovered from the lessees/sub-lessees; and

- (d) Whether the land, building or other structures are used for any purpose not directly connected with such mining operations in which cases suitable action is taken to penalize the party.

#### **14.4 Dead Rent:**

- (a) Whether demands are promptly raised half yearly in advance against all lessees for payment of dead rent;
- (b) Whether the area in hectares tallies with that in the lease deed;
- (c) Whether the rates applied are those currently valid and included in schedule-III to the Act;
- (d) Whether the rates have been changed during the year. Whether the higher of the rates are applied to that year from that date of the changed rates;
- (e) Whether the rate of dead rent for any lease has been applied invariably with reference to the age of lease from the date of original (not renewal) lease deed;
- (f) Whether recovery of dead rent is continued till the expiry of the lease or date of termination of the lease by Government or the expiry of the statutory notice of 12 months issued by the party;
- (g) On completion of 12 months, where the notice issued by the party is not a proper notice, whether such determination is accepted by the Government or not; and
- (h) Whether recovery of dead rent has been discontinued (wrongly) in the following cases:-
  - (i) On completion of 2 months valid notice where the lessee had not paid the dues as computed whether such determination is accepted by government or not;
  - (ii) For the period of deemed extension of the lease on application for first renewal ultimately rejected or granted only in part;
  - (iii) For the period prior to the actual date of order of Government terminating the lease or till the final disposal of a revision application, by the Central Government where the termination orders was stayed.

#### **14.5 Royalty:**

In auditing royalty, it is to be seen audit that;

- (i) the lessee furnishes promptly the monthly return showing the raising and despatches and consumption of ore;
- (ii) these are checked quarterly and half yearly by senior Inspector of Mines and Mining Officer/Deputy Director of Mines with the original records kept by the lessee;

- (iii) these are being promptly posted in the register for raisings and despatches;
- (iv) where weigh-bridges have been installed the weighments are recorded by an automatic process or ore watched by a departmental representative;
- (v) the weighing machines are regularly inspected for correctness or where any discrepancy is noticed, the royalty on past despatches up to 3 months is recalculated accordingly (cl. 14/part-vii/lease deed);
- (vi) the tare weight of lorries, wagons etc., are correctly and uniformly fixed or applied;
- (vii) the ore consumed is cross checked by the department with reference to internal records of the lessee;
- (viii) the ore consumed includes all such ore in whatever manner used except when thrown away as mine spoil in predetermined locations;
- (ix) the coal allowance to workers is correctly computed with reference to the definition of a worker (workmen's compensation Act, 1923) and there is proof available that each such worker was actually supplied with so much of coal and the number of workers employed has been checked by the department regularly, failing which royalty is collected on such quantity;
- (x) where the quantity raised or consumed is determined on the basis of conversion ratios, in the absence of weigh bridges, that such ratios were properly determined by actual experiment correctly conducted and were frequently rechecked for accuracy and compared reasonably with similar ratios applied to the same mineral in comparable mineral veins and can be related satisfactorily to the weights of constituent elements of the mineral;
- (xi) all such change in conversion ratios are applied promptly to all despatched ores and closing stock;
- (xii) such despatches are made only after written permission of the Mining Officer/Deputy Director of Mines and after issue of a proper transit pass; and
- (xiii) the quantities so dispatched are correlated by audit where-ever practicable, with other data such as-
  - (a) Railway receipt of weight in the case of rail despatches;
  - (b) Returns submitted by the lessee of iron ore/dolomite, etc. to labour welfare commission regarding ore raised;
  - (c) Returns submitted by the lessee to the Indian Bureau of Mines;
  - (d) Actual receipt by the purchasing organisations such as Hindustan Steel Ltd., Odisha Cement Ltd. Etc.; and
  - (e) Toll gate records where the vehicles pass through such toll gate;

- (xiv) where check gates are established by the department, the check gate keeps suitable records for control of movements on the basis of transit passes;
- (xv) the removals are correlated with the copies of transit passes received in the Mining Office;
- (xvi) the procedure prescribed for take in and out samples and determining the grade of various stacks of the mineral proposed for removal is followed;
- (xvii) where removal is permitted pending analysis of grade, the differential royalty is claimed immediately on receipt of analysis reports;
- (xviii) in the case of ore of marginal grades, special care is taken in taking out samples and obtaining correct reports of grades;
- (xix) that the ore raised or removed can be and has been correctly related to the leased areas, both in respect of open cast mines and underground excavations with reference to properly fixed boundary pillars;
- (xx) the rate of royalty along with advalorem rate, if applicable on it is correctly applied with reference to the mineral concerned and the grade of ore and the arithmetical computations are correct;
- (xxi) in cases of changes in royalty rates, the rate is applicable on the date of removal/consumption of ore; and
- (xxii) in the case of ore removed after beneficiation, the royalty rate is applied to the ore used in the beneficiation plant as ore consumed, and not the beneficiated ore finally despatched.

## CHAPTER - XV

### **Prevention of theft, smuggling and other unlawful activities in relation to minerals**

#### **15.1 Introduction**

One of the important functions of the Mining Officer is to prevent unauthorized extraction and removal of minerals. To provide for the prevention of theft, smuggling and other unlawful activities in relation to minerals in the State and for matters connected therewith or ancillary or incidental thereto, Government have made an Act (Odisha Act 23 of 1989) with effect from 29.11.1989 as “ The Odisha Minerals (Prevention of theft, smuggling and other unlawful activities) Act 1989. Further, in exercise of the powers conferred by Section 23C of the Mines and Minerals (Development and Regulation) Act, 1957, (67 of 1957), the State Government made rules for prevention of theft, smuggling & illegal mining and to regulate the possession, storage, trading and transportation of minerals in the State of Odisha and for the purposes connected therewith.

#### **15.1.1 Circumstances constituted/leading to unauthorised mining activities:**

1) Under Sub section 4(1) of Section 21 of MMDR Act 1957, no person shall undertake any reconnaissance, prospecting or mining operation in any area, except under and in accordance with the terms and conditions of a reconnaissance permit, or of a prospecting licence or, as the case may be, a mining lease, granted under this Act and the Rules made there under.

Provided that nothing in this Sub-section shall apply to any prospecting operation undertaken by the Geological Survey of India, the Indian Bureau of Mines, the Atomic Minerals Directorate for Exploration and Research of Atomic Energy of the Central Government and, the Mineral Exploration Corporation Limited, a Government company within the meaning of Section 617 of the Companies Act.

Under Sub-Section (3) any State Government may, after prior consultation with the Central Government and in accordance with the Rules made under Section 18, undertake reconnaissance, prospecting or mining operations with respect to any minerals specified in the first schedule in the area within that State which is not already held under any reconnaissance permit licence of mining lease.

Sub Section (5) of Section 21 of MMDR Act 1957 states that whenever any person raised, without any lawful authority, any mineral from any land, the State Government may recover from such person the mineral so raised or where such mineral has already been disposed of, the price thereof, and may also recover from such person rent, royalty or tax as the case may be, for the period during which the land was occupied by such person without any lawful authority. Such cases arise due to –

- a) extraction of minerals in excess of quantity approved in the mining plan,
- b) without obtaining necessary environmental clearance,
- c) without having necessary forest clearance, and
- d) without consent of State Pollution Control Board under Air & Water PCP Act.

2. Section 19 renders void and of no effect, the grant, renewal or acquisition of such a licence or lease not in accordance with the Act or any Rules or orders made there under. According to the explanation given under Section 19, where a person has acquired more than one reconnaissance permit, prospecting licence or mining lease and the aggregate area covered by such permits licences or leases, as the case may be, exceeds the maximum area permissible under Section-6, only that reconnaissance permit, prospecting licence or mining lease the acquisition of which has resulted in such maximum area being exceeded shall be deemed to be void. Thus such operations cannot be undertaken prior to the execution of a deed of licence/lease. In every case, where ore has been extracted in contravention of these provisions, Government is entitled to recover the cost thereof, apart from the liability to penalty under Section 21 of the Act. Thus, Government can initiate action for penalty and recovery of the cost of ores in the following cases of unauthorized working of mines-

- (a) When a party clandestinely removes ore from a virgin area or from an area granted to some other persons.
- (b) When a party to whom licence/lease is being considered or granted or a grant revoked, but where no licence/lease deed has been formally executed, till the date of such execution, whether with or without any written or oral working permits given by any departmental officer or even Government.
- (c) When a subsisting licence/lease has been validly terminated by Government under the term of the licence/lease deed or any law in force (e.g. Estate Abolition Act).
- (d) Where Government has communicated their refusal to renew licence/lease for the whole or any part of the area of any existing licence/lease.
- (e) In case where renewals have not been made by Government even after the period of statutory extension of the licence/lease.
- (f) Mining operation conducted under a licence/lease granted by the State Government outside the strict scope of the Act and the Rules, unless specifically relaxed by the Central Government under Section 31 of the Act.

## **15.2 Actions for illegal mining:**

- i) Action to impose fine up to three times the market value of material extracted illegally by the Collector, S.D.O., Tahsildar and District Mining Officer along with recovery of royalty of mineral.
- ii) The mineral extracted illegally can be seized/confiscated by the Collector, S.D.O., Tahsildar, under section 48 (8) under section 22 of Mines and Mineral (Regulation and Development) Act, 1957 complaint can be lodged before appropriate Court of the District Magistrate by Director of Geology and Mining, Joint Director, Regional Deputy Director and District Mining Officers for illegal mining.
- iii) Under section 21 of Mines and Mineral (Regulation and Development) Act, 1957 following action can be taken by the competent authorities mentioned below:

a) Under section 21 (3) order of eviction from the area can be served on the person doing illegal mining.

b) Under section 21 (4), the machinery, tool, equipment, vehicle or any other thing brought on the land for carrying out illegal mining can be seized by the District Magistrate, Officers of Director Geology and Mining and District Mining Officers.

c) Under section 21 (5), the mineral illegally extracted can be recovered from such person where such mineral has already been disposed of the price thereof and rent, royalty or taxes can also be recovered from such person by the State Government or District Mining Officer for the period such area has been occupied by him.

d) A person doing illegal mining can be punished with imprisonment for a term which may extend to two years or with fine which may extend to ten thousand rupees or with both.

### **15.3 Measures taken for stopping illegal mining:**

With a view to stop illegal mining and evasion of Royalty, following steps are taken.

**Issue of Transit pass:** Every leaseholder or permit holder has to use transit pass. Such transit passes issued by authority shows the details of the lease holder/permit holder, date, vehicle number transporting the material, quantity, time etc. Such pass is counter signed either by the District Mining Officer/Concern SDO/Tahsildar. Any truck carrying mineral without a valid and countersigned transit pass is treated as illegal and action against such person is taken as per rules.

**Framing of Rules under section 23 (c) of MMDR Act 1957:** In exercise of the powers conferred under section 23 (c) of MMDR – Act 1957, the Govt. of Odisha has framed the following rules:

### **15.4 Amendment to MC Rules 1960**

In exercise of the powers conferred by Section 37 of the Odisha Mineral (Prevention of Theft, Smuggling and Other Unlawful Activities) Act, 1989 (Odisha Act 23 of 1989) the State Government do hereby further amended the rules and called Odisha Mineral (Prevention of Theft, Smuggling and Other Unlawful Activities) Amendment Rules, 2006.

### **15.5 Constitution of Special Courts:**

(1) As per provisions 30B in MMDR Act 2015 to check theft/illegal mining, constitution of Special Courts was envisaged. Accordingly, the State Government may, for the purposes of providing speedy trial of offences for contravention of the provisions of sub-section (1) or sub-section (1A) of section 4, constitute, by notification, as many Special Courts as may be necessary for such area or areas, as may be specified in the notification.

(2) A Special Court shall consist of a Judge who shall be appointed by the State Government with the concurrence of the High Court.

(3) A person shall not be qualified for appointment as a judge of a Special Court unless he is or has been a District and Sessions Judge.

(4) Any person aggrieved by the order of the Special Court may prefer an appeal to the High Court within a period of sixty days from the date of such order. Special Courts have powers of Court of Session.

**30C.** Save as otherwise provided in this Act, the Code of Criminal Procedure, 1973, shall apply to the proceedings before the Special Court and for the purpose of the provisions of this Act, the Special Court shall be deemed to be a Court of Session and shall have all powers of a Court of Session and the person conducting a prosecution before the Special Court shall be deemed to be a public prosecutor.

#### **15.6 Audit Checks:**

- (a) Examine the cases of application, grants, leases, etc. to determine whether any such removal has taken place prior to the actual execution of the lease deed or after the expiry of date of effect or determination or other situations referred to above and whether action was taken to recover the cost of ore properly worked out;
- (b) Examine all reports of clandestine extraction of ore to see whether prompt action has been taken to investigate and inspect the pits and the extent of such removal is properly assessed on the basis of pit measurement, prompt action is taken to enquire and locate the miscreants, action to seize the ore or to demand the cost is taken promptly;
- (c) In all cases the grade of ore and its cost has been determined on a realisable basis on market enquires and the actual cost recoverable determined after allowing deductions for transport or other costs properly calculated;
- (d) In addition, rent or royalty as may be due, had the lease been properly executed is also demanded as prescribed in Section 21(5) of the Act; and
- (e) In all cases of unauthorized removal of ore or any other contravention of the Act or the Rules whether penal action has been instituted or in the alternative the offence has been compounded for a suitable sum by an authorised officer.

The Odisha Minerals (Prevention of Theft, Smuggling & Illegal Mining and Regulation of Possession, Storage, Trading and Transportation) Rules, 2007 as published in Odisha Gazetted in 9<sup>th</sup> October 2015 has been Annexed vide **Annexure No. XI**.

## **CHAPTER - XVI**

### **Minor Minerals**

#### **16. Introduction:**

Minor Minerals are minerals of lesser importance and include building, stone, gravel, ordinary clay (brick earth), ordinary sand, etc. In January 1966 (vide G.O. No.-2469/M.M-1/66 R dated 17.1.1966), the Government decided that the administration of Minor Minerals should be done by the revenue authorities in respect of all the lands other than Reserve forest with a uniform rate of royalty throughout the State for each minor mineral. Different rates were prescribed at different times by the Government till 18<sup>th</sup> April 1983, when the Government of Odisha in their Mining and Geology Department notification SRO No.-248/83 dated 18.4.1983, under Section 15 of the Mines and Minerals (Regulation and Development) Act 1957, introduced the “Odisha Minor Mineral Concession Rules 1983” regulating grant of mining lease in respect of all Minor Minerals. **Annexure – IX.**

As provided in the said rule, no person shall undertake any quarrying operations for the purpose of extraction, collection and/or removal of minor minerals except under and in accordance with the terms and conditions of quarry lease, permit and/or auction sale provided under these Rules. But when these operations are carried by a person from his own land for normal agricultural operations or other bonafide domestic consumptions, it shall not be constructed as quarrying operations. {Rule-3}. (See the SC order). The minor minerals and their respective controlling authorities are given in **Annexure – VIII.**

#### **16.1 New rules to replace Odisha Minor Mineral Concession Rules, 2004**

The 2004 OMMC rules lost its relevance after the amendment of the Mines and Mineral (Development and Regulation) Act which came into force on January 12, 2015 and the subsequent inclusion of several major minerals as minor minerals by the Centre.

The cabinet meeting chaired by Chief Minister Naveen Patnaik assented to the new Odisha Minor Mineral Concession Rules, 2016 which published in Gazettee of Odisha on 14<sup>th</sup> December 2016 retained the quarry lease auction provision for minerals under Sairat sources (sand, morrum and stone).

All other minor minerals including decorative stones and major minerals declared as minor minerals has been categorised as 'specified minor minerals'.

It has been proposed to give mining lease of specified minor minerals through auction process and special provisions have been made for grant of prospecting license cum mining lease or mining lease to government owned companies.

However, mining lease (ML) will be granted without auction to those who have carried out prospecting under such license or ML has been issued in their favour.

"It has been proposed that the term of ML granted under these rules for specified minor minerals shall be 30 years. The period of PL under PL-cum-ML shall be two years.

There will be an Environment Management Fund at the state level for reclamation, rehabilitation of mines out areas and conservation of environment. An amount of 5 percent of the royalty payable will be collected from lessees, he added.

The power to frame policy and legislation relating to minor minerals has been delegated to the State while policy and legislation relating to the major minerals are dealt by the Ministry of Mines.

## **16.2 Quarry Lease/permit:-**

“Quarry Lease” means a lease granted on tenure basis for a period not exceeding 20 years w.e.f. 03.03.1998 for extraction, collection and/or removal of any specified quantity of minor minerals.

“Quarry permit” means a permit granted for period not exceeding one year for extraction, collection and/or removal of any specified quantity of minor minerals.

“Quarrying operation” means any operation undertaken for the purpose of winning any mineral and shall include erection of machinery, laying of tramways, construction of roads and other preliminary operations for the purpose of quarrying {Rule-2(m)(h)(o)}.

Notwithstanding anything contained in these Rules the Government may, by order, declare that no quarry lease shall be granted in any area or in respect of any minor mineral(s) except on such terms and conditions as may be specified from time to time. No quarry lease should be granted to any person other than an Indian citizen without prior approval of the Government and in respect of any area included in the Rakhit or Sarbasadharan Khata of the village or any area reserved for communal purpose. No quarry lease shall be granted over areas involving Historical, Cultural, Archaeological and scientific importance. (Rule-4).

## **16.3 Survey of the area leased:**

Arrangement shall be made at the expense of the grantee for survey and demarcation of the area granted under quarry leases. {Rule-7}.

Extent of the area to be granted under quarry leases:

- (i) the area to be granted under one lease shall be for a compact block and the extent of such area shall not exceed one hundred hectares.
- (ii) No person by himself or with any person having joint interest shall, except in case of (iii) below, hold more than three square kilometers of the area under lease in the state of Odisha.
- (iii) In the case quarry lease relating to any type of rocks used for decorative, industrial or export purpose including dimension stones, the maximum area shall, in the case of an applicant:-
  - (a) Be one hundred and fifty hectares if the applicant comes under category of (i) or (ii) sub-Rule (6-a) of Rule 6.
  - (b) Fifty hectares, if the applicant comes under category of (iii) or (iv) of Sub-Rule (6-a) of Rule

(c) Provided that when more than one application relating to any of the category (i) and (ii) under Sub-Rule (6-a) of Rule 6 is received for the same area the interest priority shall be decided on the basis of the installed capacity.

(iv) The boundary of the area covered by a quarry lease shall run vertically downwards below the surface (Rule-8).

#### **16.4 Period of lease and renewal:**

(i) A quarry lease may be granted for a period not exceeding five years for lessees referred to in clauses (i) (ii) of Sub-Rule (b) of Rule 6 and three years for lessees referred to in clauses (iii) and (iv) thereof. The lease may be renewed for one or more periods, the period of each renewal shall not exceed five or three years, as the case may be.

(ii) An application for renewal of a quarry lease shall be made in Form 'E' at least ninety days before the expiry of lease, to the competent authority and shall be accompanied with the required fee. An application for renewal of quarry of lease shall be disposed of before expiry of the lease term and if the application is not so disposed of within that period it will be deemed to have been refused.

Provided that application for renewal of quarry leases of rocks used for decorative, industrial and export purposes including dimension stones which are deemed refused may be reconsidered by the state Government in the Department of Steel and Mines on application made to them within 30 days of the date of deemed refusal by the party aggrieved.

(iii) Notwithstanding anything contained in sub-Rule (i) of Rule-9, the lease period of quarry for all types of rocks to be used for decorative, industrial and export purposes including dimension stones shall not exceed ten years in case of non-captive uses and 20 years in case of captive uses. The lease may be renewed for one or more periods each of which shall in total not exceed ten years. {Rule 9}.

#### **16.5 Execution of quarry lease:**

A. i) A quarry lease granted under these Rules shall be executed in form 'D' within three months of the order sanctioning the lease or within a further period of two months as may be allowed by the controlling authority. While doing so the controlling authority shall record reason for such extension and communicate the same to Government. If no lease deed is executed within the time aforesaid due to any default on the part of the applicant, the controlling authority may revoke the order granting the lease and forfeit the application fee.

Provided that in the case of a quarry lease for any type of rocks used for decorative, industrial or export purposes including dimension stone, the deed shall be executed by the Deputy Director of Mines or the Mining Officer having jurisdiction.

ii) No minor mineral shall be extracted or removed before execution of the lease-deed except with the approval of controlling authority.

iii) Every competent authority shall maintain register of quarry lease in form 'F'. But in case of quarry lease for any type of rocks used for decorative, industrial or export purpose

including dimension stones, the Deputy Director of Mines or the Mining Officer having jurisdiction shall maintain a Register in form F (Rule-10).

**16.6 Audit Checks:**

In scrutinizing these auctions, audit should see that:-

- i) The auction of minor minerals has been conducted in accordance with the terms and conditions specified in the auction sale notice,
- ii) The off-set price fixed be based on the average price obtained during the last three years marked up by ten percent,
- iii) Reasonable publicity for the auction sale has been made so as to obtain the best possible price,
- iv) Refund of security deposits are properly made in accordance with the Rules, and
- v) Every application for appeal should be accompanied with the prescribed fee.

## **CHAPTER-XVII**

### **Miscellaneous topics on recent developments in Mining Sector**

#### **17.1 Integrated Mines and Minerals Management System - i3MS**

The Integrated Mines and Minerals Management System i3MS system, a comprehensive information technology based e-governance initiative by the Government of Odisha in Steel and Mines Department was introduced in the State in 2010 is touted by as one of the best IT-enabled tools in the country to check all illegal transactions in the mining sector. The objective of the system is to curb illegal mining by end-to-end tracking of mineral movement/transportation. The system involves many critical business processes such as :

- Monitoring statutory compliance of lessees as well as licensees in respect of mining operation and mineral dispatch such as mining plan, forest clearance, environmental clearance etc.;
- Monitoring day-to-day as well as cumulative mineral production as against quantity approved in mining plan, environment clearance and clearances of Odisha State Pollution Control Board;
- Monitoring total permissible quantity to be dispatched for domestic sale, export as well as consumption inside and outside the State;
- Monitoring/checking the activity at Government and mines weighbridges; and
- Checking of actual quantity dispatched through check-gates

#### **17.2 Audit Checks:**

It is to be seen in audit that whether;

- a) There was full capture of data for several important fields and lack of validation controls over several key fields/parameters affects the reliability of the data base;
- b) the department has necessary expertise in management of the soft ware and deficiencies found in the data base have been carried forwarded from time to time to suit the need of the department as per necessity;
- c) there was updation of transportation made through off line e-passes;
- d) e-passes were matched with their corresponding e-permits in the data-base, failing which objection can be raised as defeat of the objective of i3MS to restrict illegal transportation of minerals without permit and end-to-end tracking of transportation of minerals;
- e) Gaps in e-pass serial numbers found in data-base fraught with the risk of loss of royalty;
- f) internet connectivity is available in the system; and

- c) weigh-bridges were integrated with the system.

### **17.3 Charter of Functions of Indian Bureau of Mines**

The objective of the IBM will be to promote systematic and scientific development and optimum utilization of mineral resources of the country (both on-shore and off-shore). In order to achieve this objective the IBM will function to:

1. Collect, collate, and organize into a database, all information on exploration, prospecting, mines and minerals in the country in the shape of a National Mineral Information Repository and take steps to publish and disseminate the same.
2. Act as the National Technical Regulator in respect of the mining sector, and lay down regulations, procedures and systems to guide the State Governments (first tier of regulation).
3. Build up capacity in the system, both for regulatory as well as the developmental work, at the central level as well as at the level of the States.
4. Establish institutional mechanisms of coordination between the Centre, the States, mineral industry, research and academic institutions, and all stake holders, so as to proactively develop solutions to the demands and problems faced by the industry.
5. Promote research on all aspects of practical relevance to the industry and to act as a bridge between research institutions on the one hand and user industry on the other.
6. Provide technical consultancy services.
7. Participate in international collaborative projects in the area of regulation and development of the mineral sector.
8. Advise Government on all matters relating to the mineral industry.
9. Undertake any such other activity as has become necessary in the light of developments in the field of geology, mining, mineral beneficiation and the environment.

### **17.4 Odisha Mineral Exploration Corporation Limited (OMECL)**

Steel and Mines Department vide their Resolution dated 04-7-2015 have issued the Odisha Mineral Exploration Policy 2015 with objective to make accurate assessment of the mineral resources through scientific exploration for optimal use of the bounties of natural resources. State Government has accordingly set up the OMECL vide Steel and Mines Department Resolution No.7031 dated 17-8-2016 and the said corporation has been incorporated as the 100% subsidiaries of OMC Ltd. in October 2016. Further, the State Level Empowered Committee has been constituted to recommend the State government on various matters relating to OMECL.

### **17.5 District Mineral Fund (DMF)**

Odisha District Mineral Foundations Rules 2015 have been framed and notified by the State vide Steel and Mines Department Notification No. 7745/SM dated 18-8-2015. Further, Amendment of Odisha District Mineral Foundations Rules 2015 has also been issued, incorporating the 'Pradhan Mantri Khanij Kalyan Yojana' (PMKKY) into the DMF Rules and to include the amount of contribution to be made by the lessees of major minerals (in terms of second schedule to the MMDR Act 1957) to the District Mineral Foundations as per orders of Ministry of Mines, Government of India. The object of the District Mineral Foundation is to work for the interest and benefit of persons and areas affected by mining related operations. Further, to monitor the progress of functioning of DMFs in the State, a State Level Committee under the Chairmanship of Chief Secretary has been constituted vide Department's Notification No.5841/SM dated 14-7-2016. The subject of implementation of DMF Scheme (other than framing of rules) has been assigned to the Planning and Convergence Department.

### **17.6 Audit Checks:**

The holder of a mining lease or a prospecting licences-cum-mining lease shall pay to the Fund, a sum equivalent to 30% of the royalty paid in such manner as may be prescribed by the State Government.

### **17.7 National Mineral Exploration Trust (NMET)**

(1) The Central Government shall, by notification, establish a Trust, as a non-profit body, to be called the National Mineral Exploration Trust.

(2) The object of the Trust shall be to use the funds accrued to the Trust for the purposes of regional and detailed exploration in such manner as may be prescribed by the Central Government.

(3) The composition and functions of the Trust shall be such as may be prescribed by the Central Government.

### **17.8 Audit Checks:**

The holder of a mining lease or a prospecting licence-cum-mining lease shall pay to the Trust, a sum equivalent to two per cent of the royalty paid in terms of the Second Schedule, in such manner as may be prescribed by the Central Government.

### **17.9 Realisation of CAMPA Fund from the user agency with respect to provisions in MMDR Amendment Act, 2015**

After careful examination Forest Department directed that in case of existing mining leases in respect of minerals specified in sub-section (1) of Section 8A of the MMDR Act 1957, as inserted by MMDR Amendment Ordinance, 2015, period of validity of approvals

accorded under Section-2 of the FC Act shall be extended and shall be deemed to have been extended upto a period co-terminus with the period of mining lease in accordance with the provisions of the MMDR Act, 1957, as amended, subject to the following conditions.

The State Government shall, within a period of two year from the date of issue of this letter, realise from the user agency, NPV of the forest land for which period of validity of approval under the FC Act has been extended, in case the same has not already been realised and transfer the same to the ad-hoc CAMPA.

ii) In case NPV of forest land for which period of validity of approval under the FC Act has been extended by this letter has already been realised and the State Government fails to realise the same from the user agency within a period of two years from the date of issue of this letter, approval accorded under the FC Act for such forest land shall be kept in abeyance, and shall be deemed to have been kept in abeyance till such time, the NPV of such forest land is realised by the State Government.

#### **17.10 Audit Checks:**

- (i) To see whether NPV has been realized by the DFO for the total forest land granted for lease by the Government.
- (ii) To check whether the exact amount as per the latest order of the Government has been realized.
- (iii) To see that no permission shall be granted for mining operation without realizing the full/part NPV from the User Agency.
- (iv) In case of delay in realization of NPV amount than interest @ of 9% per annum is levied for such delayed payment.

## CHAPTER-XVIII

### **Raising and Pursuance of objections**

The following procedures should be followed in local audit of Mining Offices:-

On the first day of local audit the Assistant Audit Officer-II should make out a list of both working and non-working mines. From these lists, a list of cases should be prepared for check during local audit. The selection list should be approved by the Audit Officer/Sr. Audit Officer when he joins the party. A detailed scrutiny of the assessments of royalty, dead rent etc. should be undertaken by the Assistant Audit officers and the auditor as per allocation of work as per para No.19.3 given below. This allocation of work with any modifications as may be found necessary should be prepared on the first day of audit and got approved by the Reviewing Officer when he joins the party. The important point to be looked into during local audit are detailed in vide para No. 19.4 given below.

#### **18.1 Drafting the Inspection Reports:**

In drafting the preliminary objection memos, care should be taken to avoid using offensive language. It should be courteously worded and no dogmatic conclusion should be drawn against any mistakes in the assessments. It should only bring out the omissions that appeared to have occurred in the computation of royalty etc. or application of law or rule and request the departmental officers to verify the audit objections and to take remedial action as deemed necessary under intimation to audit.

#### **18.2 The financial effect of the objection worked out and mentioned in the P.O.M.**

In respect of cases where objections are taken up during the course of Local Audit, the following particulars should invariably be mentioned in the P.O.M as well as in the Draft Inspection Report.

- a) Name of the Mine;
- b) Name of the Mineral;
- c) Area in hectares;
- d) Name of the Lessee/Licensee;
- e) Period of lease/licence;
- f) Date of execution of lease/licence;
- g) Period of assessment;
- h) Date of assessment;
- i) Whether checked by the internal audit party.

The position of realisation of outstanding revenue with regard to the Demand, Collection and Balance of revenue as at the end of the financial year (under audit) should be indicated depicting the general state of collection in the office inspected. These may be shown at the end of part II of the Draft Inspection Report in the following manner:-

- i) Opening balance as on 1.4.
- ii) Demand raised during the current year;

- iii) Amount collected; and
  - iv) Closing Balance as on 31st March.
1. Amount of Outstanding revenue as on 31st March with year-wise analysis;
  2. Category-wise analysis of arrears in collection:-
    - a) Under Certificate cases;
    - b) Pending with central Government
    - c) Under dispute;
    - d) Property restrained;
    - e) Under process of realisation
  3. As against 2 (a) above the details of number of certificate cases pending as at the end of 31st March.

Arrangement of materials in the Inspection Report - The draft Inspection Report should be drafted during the concluding days of audit by the Audit Officer/Sr. Audit Officer or Assistant Audit officer in case of non-review items himself from the materials available in the P.O.Ms etc. and the draft report should be discussed with the Circle Officer i.e the Mining Officer/Deputy Director of Mines. All paras in the report should incorporate the views, comments of the Mining Officer/Deputy Director of Mines and the reasons for not accepting such views or comments. The Draft Inspection Report is divided into three parts as detailed below:-

#### PART-I

Introductory para, outstanding objections from the previous reports in brief, persistent irregularities and statistical information. A separate note should be submitted on the action taken by the party in discussions, obtaining replies to and verification of all outstanding paras of previous reports.

#### PART-II

Major irregularities and important points - Part II is again divided into Section 'A', and Section 'B', Section 'A' should consist of points of irregularities which the Inspection Officer feels, are likely to develop into draft audit paras. Other major irregularities should be taken to Section 'B'.

#### PART-III

POM money value upto Rs.5000/- should be retained in Test Audit Note. This part contains only Minor and procedural irregularities noticed.

Action to be taken in case of paras likely to be developed as draft paras.

All paras in part-II 'A' or other paras likely to be materialized into draft paras should receive the special attention of the Reviewing officer and the Asst. Audit Officer. In respect of all these, suitable draft notes should be prepared by the Reviewing Officer. These should

contain full and detailed information and all the facts mentioned therein should be fully documented by copies of relevant, correspondences or other papers in support. The chronology of events should be carefully noted and in all cases the exact date or period should be mentioned.

Discussion with the Head of the Office: The draft notes should be shown and discussed with the Head of the Office inspected and his specific replies or comments obtained in writing.

Draft Notes: - All such draft notes should be referred to the relevant column of the title sheet and enclosed to the Inspection Report.

Forwarding of the Draft Inspection Report to Headquarters:-

The Draft Inspection Report should be forwarded to Headquarters within three days from the date of completion of audit. A separate title sheet in the prescribed form enclosed vide para No. should be attached to the Draft Inspection Reports.

Work in the Headquarters Section:-

The Draft Inspection Report should be edited at the Headquarters Section duly checking the arithmetical computation and legal validity of the objections and the final Inspection report after approval by the Senior Deputy Accountant General (Revenue Audit) should be issued within a month of completion of audit. The report should be sent to the Mining Officer/Deputy Director of Mines with a copy to the Director of Mines, Odisha and to the Government of Odisha in Steel and Mines Department. Important cases of irregularities should be brought to the notice of Government by special letter.

**8.8** Pursuance of Inspection Report in Headquarters:- The paras included in the final inspection report will be pursued from time to time by Headquarters Section till they are finally settled.

All objections having money value should be entered in the objection book and the clearance thereof watched.

**8.9** Duties of the Headquarters Section:-

The Head quarters Section entrusted with the work relating to Mining receipts will be responsible for the following items of work:-

- 1) Watching the receipt of the Draft Inspection Report, examination and issue of Inspection Reports.
- 2) Pursuance of the objections contained in the Inspection Reports and keeping necessary record of pending Inspection Reports and paras;
- 3) Maintenance of objection books, six monthly registers and watching their clearances;
- 4) Receipt and scrutiny or study of all amendments to Acts, Rules, Notifications,

- Circulars, Judgments of Courts and instruction from Comptroller and Auditor General and communication thereof to the Field parties with suitable guidelines;
- 5) Examination of specific issues arising out of Inspection Reports or otherwise and preparation and circulation of guidelines for conducting the audit of Mining receipts;
  - 6) Receipt and examination of doubtful points referred to by the field parties or others concerning the audit of Mining receipts and issue of suitable clarifications;
  - 7) Preparation and submission of Reports due to the Comptroller & Auditor General, State Government or others in time;
  - 8) Preparation and issue of draft paras and brief for audit reports and related work;
  - 9) All functions prescribed in any other manual of this Department or circular or order issued by the Government of India, Comptroller and Auditor General of India; Accountant General (Audit-II) or the Senior Deputy Accountant General (SRA) ;
  - 10) Any other work which has been or may be entrusted by the Accountant General or the Senior Deputy Accountant General (SRA).

### **18.3 Allocation of Duties among Party Personnel**

(Referred to in Para 8.1)

The Senior Officer among the two Assistant Audit Officers of the party should normally remain in charge of the party. The allocation of work should be made as far as practicable in the following manner:-

#### **Assistant Audit Officer-I**

- 1 Selection of cases for check duly preparing a list of working and non-working Mines.
- 2 Preparation of duty list among party personnel
- 3 Check of assessment files both working and non-working mines (33.33 % of the cases are selected for check)
- 4 General Examination of DCB Register and Daily Receipt Register, Surface Rent Register of Refunds.
- 5 Settlement of paras of the previous I.Rs
- 6 Settlement of paras of previous TAN
- 7 Helping the Senior Audit Officer/Audit Officer in drafting Inspection Report after collection of all POMs issued.
- 8 Taking part in the discussion of the Draft Inspection Report along with the Senior Audit Officer/Audit Officer.

**Assistant Audit Officer-II**

- 1 Check of 50% of the cases selected
- 2 Check of Demand, Collection Register and Daily Receipts Register, Register of Mining Leases/Prospecting Licenses.
- 3 Check of Transit passes for one month with reference to the records of the lessee.
- 4 Check of Weigh Bridge Reports and Analysis Reports.
- 5 Check of Bank Draft Register
- 6 Check of register of Raising and Despatch of all the Mines with reference to half-yearly verification Reports.

**Auditors:**

- 1 Check of 16.66% of the cases selected
- 2 Verification of entries in the Bank Drafts Register with the Register of Daily payment
- 3 Verification of entries in the DC Register with the Register of Daily receipts and Bank Draft Register.
- 4 Transit Pass Book Register
- 5 Verification of credit for two months in the Treasury
- 6 Any other work entrusted by AAO/SO-I.

**18.4 Important Points to be looked into during Local Audit**

(Referred to in Para 8.1)

1. Whether the Demand, Collection and Balance Register have been reviewed and cases of non-payment of Rents/Royalties commented upon in the Inspection Report.
2. Whether the quantity of minerals on which Royalty has been demanded has been checked with reference to production and despatch figures, monthly Returns/check gate figures weigh bridges Reports and Transit passes (in respect of Mines selected for detailed audit).
3. Whether the Register of analysis has been properly scrutinized and non-realisation of differential royalty has been commented upon in the Draft Inspection Report.
4. Whether the production value of stock despatch of the important minerals was obtained from the Indian Bureau of Mines and the Royalty/Dead Rent Assessed in respect of that mineral was suitably compared to highlight the royalty escaping assessment.

5. Whether royalty has been assessed in respect of coal transferred from one lessee to another of non-suitable, comments in the form of a para in the Draft Inspection Report should be included.
6. Whether coal used in making coke was duly assessed to Royalty.
7. Under the Coal Mines (Nationalisation) ordinance, 1976 Coal Mining Operation in the private sector was banned with effect from the 29<sup>th</sup> April 1976. It should be seen in audit whether there is any private coal mining from the 29<sup>th</sup> April 1976 and the stock of coal as on the 29<sup>th</sup> April 1976 is duly assessed to royalty.

(Applicable in respect of Talcher and Sambalpur Mining Offices only)

8. Whether cases of grant of Mining leases in favour of private parties consequent on the Revision orders of the Central Government in relaxation of Section 31 of the Mines and Minerals (Regulation and Development) Act, 1957 have been examined critically and suitably commented upon in the Draft Inspection Report.

(Cases of this nature should be examined with reference to Rule 24, 56 of Mineral Concession Rules 1960 while commenting upon the conventional para - Delay in grant of Mining Leases).

9. Whether interest has been charged and demanded in respect of Royalty/Dead Rent/cess remaining unpaid after the due dates.

Cases of such nature should be scrutinized with reference to Rule 64-A of the Minerals concession Rules, 1960 (as amended by G.S.R. 1164, dated the 22<sup>nd</sup> July, 1976) and suitably commented in the Draft Inspection Report.

10. Whether cases of Refund of Revenue have been examined and commented upon in the Draft Inspection Report.

Signature

AAO

Audit Officer/Sr. AO

**TITLE SHEET**

Office of the C&AG of India have designed a model titled and circulated vide No.26-09-PPG/2017 dated 23-9-2017 for improving the quality of Inspection Reports with the broad objective of compliance auditing to enable assessment of whether the activities of auditable entities are in accordance with the authorities governing those entities towards expressing a conclusion designed to enhance the degree of confidence of the intended users. The model Title-sheet is given below:

**TITLE SHEET**

(AUDIT OF MINING RECEIPTS)  
OFFICE OF THE PRINCIPAL ACCOUNTANT GENERAL (E&RSA),  
ODISHA: BHUBANESWAR

Title sheet of Inspection Report No..... of ..... on accounts of Receipts and Refunds in the Mining Circle Officer (Name of place)\_\_\_\_\_ for the period from \_\_\_\_\_ to \_\_\_\_\_.

**PART-I**

(To be filled in by the Section Officer/Assistant Audit Officer of the field party)

**TITLE SHEET**

(TO BE SUBMITTED ALONG WITH DRAFT INSPECTION REPORT)

<b>PART A</b>		
<b>Summary of audit results</b>		
1.	Name of the organisation audited	
2.	Name of party personnel	
	(i) Sr. Audit Officer/Audit Officer (ii) Assistant Audit Officer/Supervisor (iii) Sr. Auditor/Auditor	
3.	Period of Audit	
4.	Date of commencement and completion of audit (Extension of time, if any, granted may be separately included)	
5.	Whether Entry Conference was held with the Audited Entity? If yes, enclose Minutes/Record of discussions. If no, provide reasons.	
6.	Number of potential paras (drawing reference to Para Nos) included in Part-II A of the Inspection Report	
7.	Number of paras (drawing reference to para nos) relating to fraud or misappropriation, presumptive fraud and leakage of revenue etc.	
8.	Paras relating to persistent irregularities etc. that need to be brought to the notice of HOD through Management Letter	
9.	Briefly mention the challenges faced during audit (Non-production of records, Manpower or resources constraints, scope limitation etc.) and how they were addressed during the course of audit.	
10.	Suggestions for overcoming such challenges in	

	future audits				
11.	Whether Exit Conference was held and draft Inspection Report discussed with the Head/Nodal Officer of the Audited Entity. If no, reasons may be indicated			Minutes as per annexure to be enclosed	
12.	Date of submission of Draft inspection Report and all working papers to Hqrs. (May be submitted within a period of 7 working days from the date of conclusion of audit)				
13.	Reasons for delay in submission of Draft IR etc. to Hqrs. with reference to the allotted time period, if any.				
14.	General remarks, if any.				
	Part B (Details of audit process followed)				
1	Whether the allocation of duties amongst each member of the Audit Team (SAO/AO/AAO/Sr. Auditor/Auditor) was prepared in line with the planned broad assignment plan and acknowledged by the respective party members? If no, reasons for justification may be provided.			Allocation of duties as per Annexure B to be enclosed	
2.	Sampling method adopted (Use as many rows as needed)			List of Files/vouchers/other documents reviewed may be enclosed)	
	Section/Wing being audited	Nature of document	Not selected for review	Percentage of selection	Sample method adopted
	Purchase/works/Establishment etc.	File vouchers	Indicate actual number selected	(Indicate percentage of each category)	Random/Stratified/Judgmental
3.	Whether focused areas identified and procedure applied were as planned (with reference to the plan as approved by Group Officer before commencing the audit). If no, reasons and justification may be provided.				
4.	Whether all issued marked for examination by Group Officer on supervision/Hqrs. section have been addressed			Compliance to Group Officer comments on supervision to be enclosed as per Annexure C	
5.	Whether all works assigned as per allocation of duties were completed. If so, provide whether the reasons and justifications are provided.			Certificate as per Annexure D to be enclosed	
6.	Briefly indicate the potential focus areas for next audit				
7.	Whether daily diaries indicating the documents/records checked by team members of the Audit Team have been prepared, signed and enclosed?			Daily diary as per Annexure E to be enclosed for each member	

8.	Whether a certificate of obtaining sufficient and appropriate evidence (key documents) for the audit observations included in the Draft Inspection Report has been provided ?	Certificate as per Annexure F to be enclosed		
9.	Whether key documents have been referred in the para and the source of evidence been provided as footnotes ?			
10.	Please indicate the position of outstanding paras of previous Inspection Reports.			
	Period of Inspection Reports	No. of paras outstanding (Opening)	No. of paras outstanding (Closing)	Reasons for the paras remaining outstanding
11.	Whether a certificate that the audit was conducted in accordance with the CAG;s Auditing Standard 2017 has been provided	Certificate to be enclosed		
12.	Whether a certificate that the audit party has compiled with the Audit Quality Framework and Code of Ethics has been provided ?	Certificate to be included		
	Dated:	Sr. Audit Officer/Audit Officer		

## (AT HEAD QUARTERS)

1. Date of receipt of Inspection Report at Headquarters:-
2. Date of submission of Inspection Report to S.Os./A.A.Os/Sr. DAG(SRA)
3. Date on which the Inspection Report given for typing:-
4. Date of final issue of the Inspection Report:-

**ANNEXURE**Sample Format of Minutes/Record of Discussions at the conclusion of Audit

Minutes of the Minutes held on \_\_\_\_\_ to discuss audit observations to be included in the draft inspection Report for the period \_\_\_\_\_ relating to the Ministry of \_\_\_\_\_/Audited Entity\_\_\_\_\_.

Present:

From Ministry's Side	From Audit side

(Note:- The minor and procedural irregularities which were noticed during the course of audit have either been settled on spot after taking assurance from the auditee or have been issued to the Ministry in the shape of Test Audit Note).

The audit observations were discussed in detail and necessary clarifications, wherever sought, were given from the Audit side.

It was pointed out by Audit that initial replies from the Ministry in respect of \_\_\_\_\_ audit observations were still awaited and the same may be furnished on priority. In response, the Ministry assured to send the replies at the earliest possible.

The meeting ended with vote of thanks.

Signature (Name & Designation) From Ministry's Side	Signature (Name & Designation) From Audit Side
---	--

**Proforma for Duty list of each member of the Audit Team**

Duties assigned	Noted and signed (Acknowledgement)
SAO/AO: Name 1.	
AAO/Supervisor : Name 1.	
Sr. Auditor/Auditor: Name 1.	

**Follow up of supervision by the Group Officer**

Name of the Audited Entity	Date of Supervision	Comments/Queries of the Group Officer	Action taken by the Audit Team on Comments/Queries

**Certificate at the conclusion of Audit**

We have examined all the issues as per the duty list (except the following) and necessary audit observations based on audit scrutiny, have been issued.

Sl. No.	Brief particulars of the issues which could not be seen in audit	Reasons therefore [non availability of records, time constraints, shortage of manpower, other constraints/reasons] etc.
1		

Sr. Audit Officer/Audit Officer

**Daily Diary of each member of the Audit Team**

Date	Brief details such as file number, item of work done, records seen and examined etc.

(Signature)

(Name of the Officer &amp; Designation)

**Certificate**

It is certified that:

- (a) sufficient and appropriate evidence (key documents) for the audit observations included in the Draft Inspection Report have been obtained and have been submitted along with the Draft Inspection Report.
- (b) that the audit was conducted in accordance with the CAG's Auditing Standards 2017
- (c) the audit party has complied with the Audit Quality Framework and Code of Ethics

**Sr. Audit Officer/Audit Officer**

# **ANNEXURE**

**ANNEXURE -I**

**Testing Charges of Chemical Laboratory**  
**Charges for Commercial Testing (Approved by Government of Odisha)**

Sl.No.	Name of the Mineral Sample	Details of Analysis	Rev Rate (Rs.)
1.	Iron Ore	Estimation of 1st constituent	150
		Estimation of Subsequent constituent	130
		Complete analysis (Maxm. of 10 constituents)	1200
2.	Manganese Ore	Estimation of 1st constituent	150
		Estimation of Subsequent constituent	130
		Complete analysis (Maxm. of 10 constituents)	1200
3.	Chrome Ore	Estimation of 1st constituent	260
		Estimation of Subsequent constituent	200
		Complete analysis (Maxm. of 10 constituents)	1500
4.	Kynite / Silimanite / Chinaclay/ Fireclay/ Pyrophyllite / Serpentinite /Feldspar/ Quartz / Mica / Rock/ Asbestos / Bauxite / Talc	Estimation of 1st constituent	150
		Estimation of Subsequent constituent	130
		Complete analysis (Maxm. of 10 constituents)	1200
		Trace elements	500
5.	Lime Kankar / Limeshell / Dolomite / Magnesite / Calcite / Chalk / Limestone	Estimation of 1st constituent	150
		Estimation of Subsequent constituent	130
		Complete analysis (Maxm. of 10 constituents)	1200
		Trace elements	500
6.	Tin / Tungsten/ Molybdenum / Beryl / Vanadium Ore	Estimation of 1st constituent	260
		Estimation of Subsequent constituent	200
		Complete analysis (Maxm. of 10 constituents)	1500
		Trace elements	500
7.	Copper Ore / Pyrite etc.	Estimation of 1st constituent	350
		Estimation of Subsequent constituent	250
		Complete analysis (Maxm. of 10 constituents)	1500
		Trace elements	500
		Proximate analysis of Carbon. VM and ash, Moisture etc.	400
8.	Graphite / Coal / Coke	Subsequent constituent	150
		Complete analysis (Maxm of 10 constituents )	1200
		Calorific Value	300
		Trace elements in ash	500
		Caking index and swelling index	300
		L.T.G.K. Cake type	500

**List of specified minerals**

(Referred to in Para 2.1)

1**THE FOURTH SCHEDULE**

1. Bauxite.
2. Iron ore.
3. Limestone.
4. Manganese ore.

**PART – A****Hydrocarbons/energy minerals**

1. Coal and Lignite.

**PART – B**

## Atomic Minerals

1. Beryl and other beryllium – bearing minerals.
2. Lithium bearing minerals.
3. Minerals of “rare-earths” group containing uranium and thorium.
4. Niobium bearing minerals.
5. Phosphorites and other phosphatic ores containing uranium.
6. Pitchblende and other uranium ores.
7. Titanium bearing minerals and ores (toilmenite, rutile and leucoxene).
8. Tantalum bearing minerals.
9. Uraniferous allanite, monazite and other thorium minerals.
10. Uranium; bearing tailings left over from ores after extraction of copper and gold, ilmenite and other titanium ores.
11. Zirconium bearing minerals and ores including zircon.

**PART – C**

## Metallic and non-metallic minerals.

1. Asbestos.
2. Bauxite.
3. Chrome ore.
4. Copper ore.
5. Gold.
6. Iron ore.
7. Lead.
8. Manganese ore.
9. Precious stones.
10. Zinc.

**ANNEXURE – III****Price Notification of Coal India Ltd.***No.01: : CIL: S&M: GM(F)/Parking dated 29<sup>th</sup> May 2016*

In supersession of the Price Notification dated 27<sup>th</sup> May 2013 and 16<sup>th</sup> December 2013 (applicable for WCL), the pit head Run of Mines (ROM) prices of all grades coal produced by Coal Companies India Limited including North Eastern Coalfields are being revised with effect from 30<sup>th</sup> May 2016. The revised pithead ROM prices have been given in Table I and table II.

**Table- I**

HEAD ROM PRICE OF NON-COKING COAL APPLICABLE FOR EASTERN COALFIELDS LIMITED, BHARAT COKING COAL LIMITED, CENTRAL COALFIELDS LIMITED, NORTHERN COALFIELDS LIMITED, MAHANADI COALFIELDS LIMITED, SOUTH EASTERN COALFIELDS LIMITED AND NORTH EASTERN COALFIELDS.

Grade	GCV Range	Run of mine price for Non-cooking coal	
		Power utilities (including IPPs), Fertilizer and Defiance Sector	Sectors other than power utilities (including IPPs), fertilizer and Defence
		(Rs./Te)	(Rs./Te)
G1	Exceeding 7000	*	*
G2	Exceeding 6700 and not exceeding 7000	3450	3450
G3	Exceeding 6400 and not exceeding 6700	3210	3210
G4	Exceeding 6100 and not exceeding 6400	3000	3000
G5	Exceeding 5800 and not exceeding 6100	2750	2750
G6	Exceeding 5500 and not exceeding 5800	1900	2280
G7	Exceeding 5200 and not exceeding 5800	1600	1920
G8	Exceeding 4900 and not exceeding 5200	1420	1700
G9	Exceeding 4600 and not exceeding 4900	1100	1320
G10	Exceeding 4300 and not exceeding 4600	980	1180
G11	Exceeding 4000 and not exceeding 4300	810	970
G12	Exceeding 3700 and not exceeding 4000	760	910
G13	Exceeding 3400 and not exceeding 3700	720	860
G14	Exceeding 3100 and not exceeding 3400	650	780
G15	Exceeding 2800 and not exceeding 3100	600	720
G16	Exceeding 2500 and not exceeding 2800	530	640
G17	Exceeding 2200 and not exceeding 2500	470	570

For GCV exceeding 7000 kcal/Kg., the price shall be increased by Rs. 150/- per tonne over and above the price applicable for GCV band exceeding 6700 but not exceeding 7000 kcal/kg. for increase in GCV by every 100 kcal/Kg or part thereof.

As additional amount of Rs.450.00 per tone (in place of Rs.390.00 per tone) to be charged over and above the notified price in respect of the coal produced from Rajmahal mine of Eastern Coalfields Limited.

**Table- I**

**PIT HEAD PRICE OF NON-COKING COAL APPLICABLE FOR WESTERN COALFIELDS LIMITED.**

Grade	GCV Range	Run of mine price for Non-cooking coal		
		Power utilities (including IPPs), Fertilizer and Defiance Sector	Sectors other than power utilities (including IPPs), fertilizer and Defence	
		Keal/Kg	(Rs./Te)	(Rs./Te)
G1	Exceeding 7000		*	*
G2	Exceeding 6700 and not exceeding 7000	3450	3450	3450
G3	Exceeding 6400 and not exceeding 6700	3210	3210	3210
G4	Exceeding 6100 and not exceeding 6400	3000	3000	3000
G5	Exceeding 5800 and not exceeding 6100	2750	2750	2750
G6	Exceeding 5500 and not exceeding 5800	2280	2280	2740
G7	Exceeding 5200 and not exceeding 5800	1920	1920	2300
G8	Exceeding 4900 and not exceeding 5200	1700	1700	2040
G9	Exceeding 4600 and not exceeding 4900	1320	1320	1580
G10	Exceeding 4300 and not exceeding 4600	1180	1180	1420
G11	Exceeding 4000 and not exceeding 4300	970	970	1160
G12	Exceeding 3700 and not exceeding 4000	910	910	1090
G13	Exceeding 3400 and not exceeding 3700	860	860	1000
G14	Exceeding 3100 and not exceeding 3400	780	780	940
G15	Exceeding 2800 and not exceeding 3100	720	720	870
G16	Exceeding 2500 and not exceeding 2800	640	640	770
G17	Exceeding 2200 and not exceeding 2500	560	560	680

For GCV exceeding 7000 kcal/Kg, the price shall be increased by Rs.150/- per tone over and above the price applicable for GCV band exceeding 6700 but not exceeding 7000 kcal/Kg for increase in GCV by every 100 kcal/Kg. or part thereof.

## SCHEDULE III

[See rule 14(1) (ii) (a) &amp; (b)]

**Maximum quantities of ores and minerals removable**

<b>Class</b>	<b>Mineral/ore</b>	<b>Quantities that can be carried away without any payment</b>	<b>Maximum quantity that can be carried away by payment of royalty</b>
Class-I	Asbestos, graphite, mica, native sulphur, auriferous rock with visible uranium mineral and uranium bearing minerals, minerals of rare earths group, beryl, tantalite, columbite-concentrates of ores of antimony, arsenic, bismuth, chromium, copper, lead, nickel, tin, titanium, tungsten, zinc	250 kg	10 tonnes
Class-II	Auriferous rock and gravel containing no visible gold, metalliferous ores meant for extracting cadmium, cobalt, mercury, molybdenum, silver, helium, vanadium, barytes, bitumen, borax, corundum, emery, grossularite, feldspar, fluor spar and calcite	5 tonnes	200 tonnes
Class-III	Uraniferous rock without visible uranium minerals, metalliferous ores meant for extracting antimony, arsenic, bismuth, chromium, copper, lead, nickel, tin, titanium, tungsten, zinc and compound ores containing metals of cadmium, cobalt, mercury, molybdenum, silver, helium and vanadium, gypsum, limestone, iron pyrites, shales, red & yellow ochre, bauxite, metalliferous ores meant for extracting aluminium, iron and manganese	10 tonnes	200 tonnes
Class-IV	Limestone, sillimanite, kyanite, magnesite, serpentine, steatite, vermiculite, fireclay, kaolin and other refractory materials, coal and lignite.	50 tonnes	200 tonnes
Class-V	All other minerals not specified above	. 10 tonnes	200 tonnes

**Rates of Royalty of Major Minerals****MINISTRY OF MINES NOTIFICATION New Delhi,**

the 1st September, 2014 G.S.R.630(E).- In exercise of the powers conferred under sub-section (3) of Section 9 of the Mines and Minerals (Development and Regulation) Act, 1957 (67 of 1957), the Central Government hereby makes the following further amendments to the Second Schedule of the said Act, namely:-

2. In the Mines and Minerals (Development and Regulation) Act, 1957, for the “Second Schedule”, the following Schedule shall be substituted, namely:- “SECOND SCHEDULE (See Section 9)

RATES OF ROYALTY IN RESPECT OF MINERALS AT ITEMS 1 TO 9, 11 TO 40 AND 42 TO 55 6 THE GAZETTE OF INDIA : EXTRAORDINARY [PART II—SEC.

1.	Apatite and Rock Phosphate (i) Apatite (ii) Rock Phosphate (a) Above 25% P <sub>2</sub> O <sub>5</sub> (b) Upto 25% P <sub>2</sub> O <sub>5</sub>	Five per cent of average sale price on ad valorem basis. Twelve and half per cent. of average sale price on ad valorem basis. Six per cent. of average sale price on ad valorem basis.
2.	Asbestos: (i) Chrysotile (ii) Amphibole	Eight Hundred and Eighty rupees per tonne Fifteen per cent. of average sale price on ad valorem basis.
3.	Barytes:	Six and half per cent. of average sale price on ad valorem basis
4.	Bauxite and Laterite	(a) Metallurgical Grade: Zero point six zero per cent. of London Metal Exchange Aluminium metal price chargeable on the contained aluminium metal in ore produced for those dispatched for use in alumina and aluminium metal extraction. (b) Non Metallurgical Grade: Twenty five per cent. of average sale price on ad valorem basis for those dispatched for use other than alumina & aluminium metal extraction.
5.	Brown Ilmenite (Leucoxene), Ilmenite, Rutile and Zircon:	Two per cent. of average sale price on ad valorem basis.
6.	Cadmium:	Fifteen per cent. of average sale price on ad valorem basis
7.	Calcite:	Fifteen per cent of average sale price on ad valorem basis
8.	China clay or Kaolin (including ball clay and white shale, white clay) (i) Crude (ii) Processed (including washed)	Eight per cent. of average sale price on ad valorem basis. Twelve per cent. of average sale price on ad valorem basis.
9.	Clay others:	Twenty rupees per tonne.
10.	Coal (including Lignite):	*
11.	Chromite:	Fifteen per cent. of average sale price on ad valorem basis.
12.	Columbite-tantalite:	Ten per cent of average sale price on ad valorem basis
13.	Copper:	Four point six two per cent. of London Metal Exchange Copper metal price chargeable on the contained copper metal in ore produced.
14.	Diamond:	Eleven point five per cent. of average sale price on ad valorem basis
15.	Dolomite:	Seventy-five rupees per tonne. <sup>1</sup> Hkkx Iµ[k.M 3(i)° Hkkjr dk jkti=k % vlk/kj.k 7
16.	Dunite:	Thirty rupees per tonne.
17.	Felspar	Fifteen per cent. of average sale price on ad valorem basis
18.	Fire Clay:	(including plastic, pipe, lithomargic and natural pozzolanic clay)

		Twelve per cent. of average sale price on ad valorem basis.
19.	Fluorspar: (also called fluorite)	Eight per cent. of average sale price on ad valorem basis.
20.	Garnet: (i) Abrasive (ii) Gem	Four per cent. of average sale price on ad valorem basis. Ten per cent. of average sale price on ad valorem basis.
21.	Gold: (i) Primary  (ii) By-product gold	Four per cent. of London Bullion Market Association Price (commonly referred to as London Price) chargeable on the gold metal in ore produced. Three point three per cent. of London Bullion Market Association Price (commonly referred to as London Price) chargeable on the by-product gold metal actually produced.
22.	Graphite: (i) With 80 per cent. or more fixed carbon. (ii) With 40 per cent. or more fixed carbon but less than 80 per cent. fixed carbon. (iii) With 20 per cent. or more fixed carbon but less than 40 per cent. fixed carbon. (iv) With less than 20 per cent. fixed carbon	Two hundred and twenty-five rupees per tone One hundred and fifty rupees per tone.  Sixty-five rupees per tonne.  Twenty-five rupees per tonne.
23.	Gypsum:	Twenty per cent. of average sale price on ad valorem basis.
24.	Iron Ore	(CLO, Lumps, fines and concentrates all grades) Fifteen per cent. of average sale price on ad valorem basis.
25.	Lead:	(a) Eight point five per cent. of London Metal Exchange Lead metal price chargeable on the contained lead metal in ore produced. (b) Fourteen point five per cent. of London Metal Exchange Lead metal price chargeable on the contained lead metal in the concentrate produced.
26.	Limestone:	(i) L. D. Grade (less than 1.5 per cent. silica content) Ninety rupees per tonne. 8 THE GAZETTE OF INDIA : EXTRAORDINARY [PART II—SEC. 3(i)] (ii) Others Eighty rupees per tonne.
27.	Lime kankar:	Eighty rupees per tonne.
28.	Limeshell:	Eighty rupees per tonne.
29.	Magnesite:	Three per cent. of average sale price on ad valorem basis.
30.	Manganese Ore:	(i) Ore of all grade (ii) Concentrates Five per cent. of average sale price on ad valorem basis. One point seven per cent. of average sale price on ad valorem basis.
31.	Marl:	Sixty rupees per tonne.
32.	Crude Mica, waste mica and scrap mica:	Four per cent. of average sale price on ad valorem basis.
33.	Monazite:	One hundred and twenty-five rupees per tonne.
34.	Nickel:	Zero point one two per cent. of London Metal Exchange Nickel metal price chargeable on the contained nickel metal in ore produced.
35.	Ochre:	Twenty-four rupees per tonne.
36.	Pyrites:	Two per cent. of average sale price on ad valorem basis.
37.	Pyrophyllite:	Twenty per cent. of average sale price on ad valorem basis
38.	Quartz:	Fifteen per cent. of average sale price on ad valorem basis.
39.	Ruby:	Ten per cent. of average sale price on ad valorem basis.
40.		Sand (others): Twenty rupees per tonne.
41.	Sand for stowing	**
42.	Shale:	Sixty rupees per tone
43.	Silica sand and moulding sand and Quartzite:	Ten per cent. of average sale price on ad valorem basis.
44.	Sillimanite:	Two point five per cent. of average sale price on ad valorem basis.
45.	Silver: (i) By-product	Seven per cent. of London Metal Exchange Price chargeable on by-product silver metal actually produced. Five per cent. of London

	(ii) Primary Silver	Metal Exchange Silver Metal Price chargeable on the contained silver metal in ore produced
46.	Slate:	Forty-five rupees per tonne.
47.	Talc, Steatite and Soapstone:	Eighteen per cent. of average sale price on ad valorem basis.
48.	Tin:	Seven point five per cent. of London Metal Exchange Tin <sup>1</sup> Hkkx Πμ[k.M 3(i)° Hkkjr dk jkti=k % vlk/kj.k 9 metal price chargeable on the contained tin metal in ore produced.
49.	Tungsten	Twenty rupees per unit per cent. of contained WO <sub>3</sub> per tonne of ore and on pro rata basis.
50.	Uranium:	Two per cent. of annual compensation amount received by M/s. Uranium Corporation of India Ltd., to be apportioned among the States on the basis of data provided by Department of Atomic Energy.
51.	Vanadium:	Twenty per cent. of average sale price on ad valorem basis.
52.	Vermiculite:	Five per cent. of average sale price on ad valorem basis.
53.	Wollastonite:	Fifteen per cent. of average sale price on ad valorem basis
54.	Zinc:	(a) Nine point five per cent. of London Metal Exchange Zinc metal price on ad valorem basis chargeable on contained zinc metal in ore produced. (b) Ten per cent. of London Metal Exchange Zinc metal price on ad valorem basis chargeable on contained zinc metal in concentrate produced.
55.	All other minerals not herein before specified (Agate, Corundum, Diaspore, Felsite, FuschiteQuartzite, Jasper, Kyanite, Perlite, Pyroxenite, Rock Salt, Selenite etc.)	Twelve per cent. of average sale price on ad valorem basis.

Notes :- 1. Rates of royalty in respect of item No.10 relating to Coal (including Lignite) as revised vide notification number G.S.R. 349(E), dated the 10th May, 2012 read with corrigendum G.S.R. 525(E), dated the 14th June, 2012 of the Government of India in the Ministry of Coal shall remain in force until revised through a separate notification by the Ministry of Coal. 2. \*\* Rates of royalty in respect of item No.41 relating to Sand for stowing revised vide notification number G.S.R. 214(E), dated the 11th April, 1997, will remain in force until revised through a separate notification by the Ministry of Coal.” [F. No. 3/3/2011-M.VI (Part-IV)] R. SRIDHARAN, Addl. Secy. Note: The Second Schedule to the Mines and Minerals (Development and Regulation) Act, 1957 was last amended vide notification number . G.S.R. 349(E), dated the 10th May, 2012

**Rates of Dead Rent for Low Value Minerals**

NOTIFICATION New Delhi, the 1st September, 2014. G.S.R.631(E).—

In exercise of the powers conferred under sub-section (2) of Section 9A of the Mines and Minerals (Development and Regulation) Act, 1957 (67 of 1957), the Central Government hereby makes the following further amendments to the Third Schedule of the said Act, namely:- 2. In the Mines and Minerals (Development and Regulation) Act, 1957, for the “Third Schedule”, the following Schedule shall be substituted, namely:- “THIRD SCHEDULE (See Section 9A) Rates of Dead Rent 1. Rates of dead rent applicable to the leases granted for low value minerals are as under:

Rates of dead rent applicable to the leases granted for low value minerals are as under:

RATES OF DEAD RENT IN RUPEES PER HECTARE PER ANNUM		
From 2nd Year of Lease	3rd and 4th Year of Lease	5th Year onwards
400	1000	2000

2. Two times the rate specified at paragraph 1 above in case of lease granted for medium value minerals.
3. Three times the rate specified at paragraph 1 above in case of lease granted for high value minerals.
4. Four times the rate specified at paragraph 1 above in case of lease granted for precious metals and stones.

Note:

1. For the purpose of this notification:-

- (a) “precious metals and stones” means gold, silver, diamond, ruby, sapphire and emerald;
- (b) “high value minerals” means semi-precious stones (agate, gem garnet), corundum, copper, lead, zinc, and asbestos (chrysotile variety);
- (c) “medium value minerals” means chromite, manganese ore, kyanite, sillimanite, vermiculite, magnesite, wollastonite, perlite, diaspore, apatite, rock phosphate, fluorite (fluorspar), barytes, and iron ore;
- (d) “low value minerals” means the minerals other than precious metals and stones, high value minerals and medium value minerals.”

[F.No.3/3/2011-M.VI (Part-IV)] R. SRIDHARAN, Addl. Secy. Note : Third Schedule to the Mines and Minerals (Development and Regulation) Act, 1957 was last amended vide notification number G.S.R. 575(E), dated the 13th August, 2009.

## SCHEDULE-II

(See Rule 13)

**Revised rate of surface rent**

Odisha revises surface rent rates for mining areas for the first time since 1984 to raise the surface rent for mining lease areas

The State Cabinet approved (October 2013) a proposal to revise annual surface rent applicable for mining lease holders which is expected to generate additional Rs.11 crore revenue for the first time since 1984. The surface rent, which is collected annually, is divided into two segments.

For land assessable to land revenue, surface rent is collected at one per cent of market value of the land. For land not assessable to land revenue such as barren land in mineral deposit areas, the rent was fixed at Rs. 10 per hectare per year.

Henceforth, surface rent would be collected in such areas at one per cent of market value of the land with a minimum payment of Rs.3,000 per hectare per year for iron ore bearing areas, Rs.5,000 for high value minerals such as manganese, chromites and Rs.10,000 per previous metals and stones. It has also been decided to collect Rs.1000 per hectare per year for low value minerals.

The rise in surface rent could push stamp duty as well because it is one of the component that is taken into consideration while assessing stamp duty. Stamp duty is collected on the basis of preliminary expenses, security deposits, surface rent, and royalty to be payable by the leaseholder. The recent decision of Odisha Government to collect stamp duty at the 15 per cent of royalty has been challenged in Court.

**Annexure- VIII****Competent authority for grant of lease/permit/auction in respect of minor minerals****SCHEDULE-IV**

[See Rule 2(d)]			
Jurisdiction	Power to be exercised	Competent Authority	Department
(1)	(2)	(3)	(4)
(1) All types of rocks used for decorative industrial & export purposes including dimension stones	for lease	Govt. in the Steel and Mines Department	Department of Steel & Mines
(2) Minor minerals specified in item-I(1) of Schedule-III when occurring within village boundaries	(a) for permits	Tahasildar	Revenue Department.
	(b) for leases	(i) Tahasildar up to 5 hectare (ii) Sub-Collector above 5 hectare	
	(c) for auction	(i) Tahasildar when the off-set price does not exceed Rs 5,000 (ii) sub-Collector when the off-set price exceeds Rs. 5,000/-	
(3) Minor minerals specified in item I(1) of Schedule-III when occurring in all other areas	(c) for permits	Divisional Forest Officer	Forest Department
	(b) for leases and auction	-do-	
(4) Minor minerals other than those specified in item-I(1) of schedule-III regardless of location and all minor minerals except rocks of any type used for decorative, industrial and export purposes including dimension stones occurring in areas granted under mining lease for major minerals	(a) for permits	Mining Officer and Deputy Director of Mines	Department of Steel and Mines
	(b) for leases and auction	-do-	-do-

**ANNEXURE-IX****Declaration of Minor minerals in addition to the minerals already declared**

THE GAZETTE OF INDIA: EXTRAORDINARY [PART II—SEC. 3(ii)]

MINISTRY OF MINES NOTIFICATION

New Delhi, the 10th February, 2015

S.O. 423(E).—In exercise of the powers conferred by clause (e) of section 3 of the Mines and Minerals (Development and Regulation) Act, 1957 (67 of 1957), the Central Government hereby declares the following minerals to be minor minerals in addition to the minerals already declared by notification as minor minerals hereinbefore under the said clause:

(i) Agate;	(xvi) Fuschite Quartzite;
(ii) Ball Clay;	(xvii) Gypsum;
(iii) Barytes;	(xviii) Jasper;
(iv) Calcareous Sand;	(xix) Kaolin;
(v) Calcite;	(xx) Laterite;
(vi) Chalk;	(xxi) Limekankar;
(vii) China Clay;	(xxii) Mica;
(viii) Clay (Others);	(xxiii) Ochre;
(ix) Corundum;	(xxiv) Pyrophyllite;
(x) Diaspore;	(xxv) Quartz;
(xi) Dolomite;	(xxvi) Quartzite;
(xii) Dunite or pyroxenite;	(xxvii) Sand (Others);
(xiii) Felsite;	(xxviii) Shale;
(xiv) Felspar;	(xxix) Silica Sand;
(xv) Fireclay;	(xxx) Slate; and
	(xxxi) Steatite or Talc or Soapstone

[F. No. 5/1/2015-M. VI]  
R. SRIDHARAN, Addl. Secy

**ANNEXURE – X**

(Referred to in para 7.2.9)

**Rates of Royalty & Dead Rent and other fees on Minor Minerals w. e. f 18/05/2006**

Sl.No	Fee Type	Amount
1	Application Fee	500/-
2	Application Fee for Renewal	300/-
3	Transfer Fee	750/-
4	Revision Application Fee	50/-
5	Inspection of Register	10/-

**Royalty Rates**

Name	Rate
Basalt	62.40
Laterite Boulder	9.60
Lime Stone and its varieties	40/-
Lime Shell	40/-
Laterite Chiras	15/-
Laterite Rubbles	9/-
Basalt	20/-
Ordinary Sand	10/-
Pebbles	12/-
Ordinary Clay	5/-
Murum	5/-
Brick Earth	5/-
Ordinary Earth	5/-

**Rates of Dead Rent**

Sl.No	Fee Type	Amount
1	Ordinary Sand/Pebble/ Laterite Chiras	7500/-
2	Basalt/Granite/Metal Grit/Lime Shell	15000/-
3	Brickearth /Matti/Laterite Rubble/Murum and other Minor Mineral	5000/-

**Rates of Security Deposit**

Sl.No	Fee Type	Amount
1	Ordinary Sand/Pebble/ Laterite Chiras	3750/-
2	Basalt/Granite/Metal Grit/Lime Shell	7500/-
3	Brickearth /Matti/Laterite Rubble/Murum and other Minor Mineral	2500/-

**Income Tax Payment (TCS) on Royalty for Different Minor Minerals on 600 M3**

Mineral	Royalty Payable in Rs	Individual	Firm, Co-Op Society, Local Authority & Co	Individual/HUF, Body of Individual/ Associate of Persons Exceed Rs 10,00,000/-
Basalt	12000/-	248/-	253/-	272/-
Laterite	9000/-	186/-	190/-	204/--
Pebble	7200/-	149/-	152/-	163/--
Murum/Bricks	3000/-	62/-	63/-	68/--
Lat-Boulder	5400/-	112/-	114/-	122/--
Sand	6000/-	124/-	127/-	136/--

**STEEL & MINES DEPARTMENT NOTIFICATION**  
**The 9th October, 2015 No.10142—IV (A) SM-57/2015/SM.**

**Sub: The Odisha Minerals (Prevention of Theft, Smuggling and Illegal Mining and Regulation of Possession, Storage, Trading and Transportation) Amendment Rules, 2015 – major changes.**

In exercise of the powers conferred by Section 23C of the Mines and Minerals (Development and Regulation) Act, 1957 (67 of 1957), the State Government do hereby make the following rules further to amend the Odisha Minerals (Prevention of Theft, Smuggling & Illegal Mining and Regulation of Possession, Storage, Trading and Transportation) Rules, 2007, namely:— 1. Short Title and Commencement—

(1) These rules may be called ‘The Odisha Minerals (Prevention of Theft, Smuggling and Illegal Mining and Regulation of Possession, Storage, Trading and Transportation) Amendment Rules, 2015. (2) They shall come into force on the date of their publication in the Odisha Gazette.

2. In the Odisha Minerals (Prevention of Theft, Smuggling and Illegal Mining and Regulation of Possession, Storage, Trading and Transportation) Rules, 2007, (hereinafter referred to as the said rules) in rule (2), in sub-rule(1) :— (i) for the words “the Schedule” the word and figure “Schedule I” shall be substituted; (ii) clause (h) shall be omitted; (iii) after clause (k), the following clause shall be inserted, namely:— “(k-i) ‘Mineral’ means all major minerals and such of the minor minerals as may be specified by the Government”; (iv) for clause (p), the following clause shall be substituted, namely:— “(p) ‘Trading license’ means a license of any category as specified in Schedule II of these rules, issued by the Competent Authority to any person, who wishes to possess, sell, trade in, transport, store or otherwise deal with any mineral.” 2 (v) In clause (q), after the words “by a carrier” occurring at the end, the words and letter “and includes e-transit pass”; shall be added.

3. In the said rules, in rule 3,— (a) In the 5th proviso, for the words ‘under these rules’ the words “under the Act and the rules made thereunder” shall be substituted; (b) in the 6th proviso, at the end of the sentence, the following words shall be inserted, namely:— “except for storage in the premises of a licensee carrying out beneficiation and/ or processing in the said premises.” Explanation— For the purpose of this proviso, the word ‘processing’ shall not mean simple size reduction and screening of the sized mineral in isolation. (c) after the 7th proviso, the following new proviso shall be inserted, namely:— “Provided also that no license for storing, processing / beneficiation or consumption of mineral(s) shall be granted to a person who has not obtained consent from the State Pollution Control Board to operate under the provisions of the Air (Prevention and Control of Pollution) Act, 1981 and the Water (Prevention and Control of Pollution) Act, 1974 and the rules made thereunder”.

4. In the said rules, in rule 4,— (a) for sub-rule (1), the following sub rule shall be substituted, namely:— “(1) Any person who intends to procure, possess, store, sell, trade in, consume or otherwise deal with any mineral, shall make an application for a trading license of one or more minerals in Form A to the Competent Authority under whose jurisdiction, the local head office of business or as the case may be, the end use plant or mineral

processing unit or the storage premises of the applicant is located and in case he applies for a license for storage of mineral, he shall make such application before the Competent Authority under whose jurisdiction the place of storage is located for each such premises”.

(b) (i) in sub rule (3),- after clause (vii), the following provisos shall be inserted namely:— “Provided that in case the applicant is a partnership firm or a private limited company, such certificate shall be furnished by each partner of the partnership firm or, as the case may be, by the Board of Directors of the company separately: 3 Provided further that where an applicant does not hold a reconnaissance permit or prospecting license or prospecting license-cum-mining lease or mining lease and has furnished an affidavit to that effect, it shall not be necessary for him to submit the said valid clearance certificates”. (ii) after clause (vii), the following clauses shall be inserted, namely:— “(viii) an attested copy of valid consent to operate under the provisions of the Air (Prevention and Control of Pollution) Act, 1981 and the Water (Prevention and Control of Pollution) Act, 1974 and rules made thereunder from the State Pollution Control Board; (ix) an affidavit to the effect that none of the license issued to him earlier has been cancelled on the grounds of violation of terms and conditions of the licence issued under these rules”.

5. In the said rules, in rule 6, for the words ‘two years’, the words “five years” shall be substituted.

6. In the said rules, in rule 7,— (a) in clause (i), for the words “PART B and PART C of the First Schedule” the words “First Schedule” shall be substituted. (b) in clause (vii), for the words ‘obtain No Objection Certificate from the Odisha State Pollution Control Board to that effect’, the words “shall maintain a valid consent to operate certificate issued by the State Pollution Control Board during the currency of the licence” shall be substituted.

7. In the said rules, in rule 8, in sub-rule(1),— (a) for the words ‘two years’, the words ‘five years at a time’ shall be substituted; and (b) the following new proviso shall be inserted, namely:— “Provided that the Competent Authority may condone delay in submission of application for renewal of Trading Licence made after the time limit prescribed in sub-rule (1) on justifiable grounds, if the application has been made before expiry of the licence and late fee equal to fifty per cent of the application fee has been paid by the applicant but no application for renewal of Trading License made after expiry of the licence period shall be entertained”. 4

8. In the said rules, for rule 9, following rule shall be substituted, namely:— “9. The Competent Authority may, at any time during the tenure of licence, suspend or cancel the licence for breach of any of the terms and condition of the licence: Provided that before cancellation of the Licence, the Licensee will be served a show cause notice, if the Competent Authority is satisfied with the explanation, he may withdraw the order of such suspension and allow the licensee to carry on his business, otherwise, the Competent Authority, after giving an opportunity of being heard to the licensee, cancel the licence by an order in writing communicated to the licensee and also shall forfeit the security deposit along with interest accrued thereon to the Government: Provided further that in case the licensee commits similar breach of terms and conditions of the licence again, the Competent Authority shall, by an order in writing, cancel the licence issued under sub-rule (1) of rule 4”.

9. In the said rules, in rule 10,— (a) in sub-rule (1), the words ‘in duplicate’ shall be omitted. (b) for sub-rule (2), the following sub-rule shall be substituted, namely: — “(2) For every application for grant of permit, an application fee of rupees one hundred per destination towards non-refundable application fee shall be payable to the Government.” (c)

in sub-rule (4), for the words “in writing by registered post with acknowledgement” the word “online” shall be substituted. (d) in sub-rule (5), the words ‘in duplicate’ shall be omitted. (e) for the sub-rule (10), the following sub-rule shall be substituted, namely:— “(10) The carrier of mineral shall obtain e-transit pass in duplicate to be generated at the specified weighbridge after weighment in Form M-1 in case of the lease holder and in Form G-1 in case of holder of trading licence”. (f) for sub-rule (11), the following sub-rule shall be substituted, namely: — “(11) The e-transit passes generated at the weighbridge shall have a unique number, permit number and barcode as specified by the Government and it shall be duly signed by the person in-charge of weighment.” (g) for sub-rule (12), the following sub-rule shall be substituted, namely:— “(12) On receipt of the copy of the e-transit pass online, the Mining Officer or Deputy Director of Mines concerned shall keep the record of mineral transportation made”. 5 (h) in sub-rule (13), for the words and letters “Form I & Form L” the words and letters “Form G-1 and Form M-1” shall be substituted. (i) for sub-rule (14), the following sub-rule shall be substituted, namely:— “14 (a) In case of transportation of mineral by railway wagon— (i) the consignor shall get the forwarding note for each indent authenticated by the Competent Authority before placing the indent to the Railway Authorities; (ii) samples of minerals shall be drawn by the person authorized by the concerned Deputy Director, Chemical Analysis/Analytical Chemist from each lot of four wagons or less, as the case may be, in presence of the lessee or his authorized representative; (iii) the lessee shall provide suitable mechanised facilities for drawal of representative sample and the method of the drawal of the mechanised sample shall be approved by the Director of Mines; (iv) the sample so drawn shall be divided into three parts of which the first shall be sent to the Government Laboratory for analysis under their joint seal and signature; (v) the second part shall be handed over to the mine owner under their joint seal and signature and the third part be kept with the Mining Officer or Deputy Director of Mines, as the case may be, under joint seal and signature as umpire sample; (vi) the analysis report of the sample collected during a month shall be submitted by the Government Laboratory to the Competent Authority by the 10th day of the next month under intimation to the lessee; (vii) The report as Railway Receipts (RR) for the month indicating the quantity and quality of mineral source of procurement (source wise, quality wise and quantity wise); and (viii) particulars of the buyer shall be submitted by the lessee to the concerned Deputy Director of Mines or Mining Officer by the 15th day of the next month. (b) In case of transportation of minerals from one mining circle to a railway siding located in other mining circle, the forwarding note shall be authenticated by the Competent Authority of the mining circle, from which the mineral shall be sourced. 6 (c) In case the railway siding is situated within the leasehold area, the leaseholder shall report online the daily transaction through rail within two days from the date of dispatch”.

10. In the said rules, after rule 10, the following rules shall be inserted, namely:— (a) “10A Grant of Transit permits and transit passes for the mineral(s) procured from outside the State— (1) Any licensee desiring to procure mineral from outside the State shall be required to submit an application before the Competent Authority who has issued the licence in his favour, for issue of a transit pass for the purpose. (2) The Competent Authority, after being satisfied about the genuineness of the procurement of mineral, shall issue permission for procurement and required number of transit pass in Form- G-1 for the purpose. (3) The mineral carrier shall be accompanied with a copy of the permission issued by the Competent Authority and transit pass duly signed by the consignor at the source and the valid way bill issued by the Assistant Sales Tax Officer or the Sales Tax Officer or

Assistant Commissioner, as the case may be, having jurisdiction. (b) “10B The Government may, by an order in writing, relax the provision of these rules, to such extent and subject to such conditions as may be specified in the said order, as it may consider expedient or necessary for facilitating procurement and transportation of minerals and purposes connected therewith.”

11. In the said rules, in rule 11,— (a) in sub-rule (2), the symbol and the word ‘/permit’ shall be omitted. (b) in sub-rule (4), the symbol and the word ‘/permit’ shall be omitted and for the words ‘duplicate copy’, the words ‘checkgate copy’ and for the words ‘triplicate copy’, the words ‘destination copy’ shall be substituted. (c) in sub-rule (5), the symbol and the word ‘/permit’ shall be omitted and for the words ‘duplicate copy’, the words ‘checkgate copy’ and for the words ‘triplicate copy’, the words ‘destination copy’ shall be substituted. (d) in sub-rule (9), the symbol and the word ‘/permit’ shall be omitted. (e) in sub-rule (11), the symbol and the word ‘/permit’ shall be omitted. 7

12. In the said rules, in rule 12,— (a) after sub-rule (2), the following sub-rule shall be inserted, namely:— “(2A) In case the offender applies in writing for compounding the offence, the officer who has seized the property shall, if he is the Competent Authority, proceed under rule 16 and, if he is not the Competent Authority, he shall make a report in writing to the Competent Authority along with all records.” (b) in sub-rule (4), the words “or Competent Authority” shall be omitted.

13. In the said rules, in rule 17,— (a) in sub-rule (1), the words, bracket and figure ‘sub-rule (1) of’ shall be omitted; and (b) in sub-rule (5), the words, bracket and figure ‘sub-rule(1) of’ appearing before the word and figure “Rule 6” shall be omitted.

14. In the said rules, after rule 17, the following rule shall be inserted, namely,— “17A. Revision:- The Authority empowered to entertain appeal under rule 17 may, ‘suo motu’ or on a reference made to it, revise any order passed by the Competent Authority within a period of six months from the date of issue of such order: Provided that before passing any order under this rule, the person likely to be adversely affected by such order shall be given an opportunity of being heard.”

15. In the said rules, after rule 18, following rule shall be inserted, namely:— “18A. Online Transactions:— Submissions of applications for grant of renewal of Trading Licence and permissions, acknowledgement of application for licence or renewal, disposal of applications, submissions of accounts, cancellation or suspension of licences, payments to be made to Government 16. In the said rules, — (a) the “Schedule” shall be renumbered as “Schedule-I”; and (b) after Schedule-I so renumbered, the “Schedule-II” appended to these Rules shall be inserted.



